



STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL

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ATTORNEY GENERAL

DIVISION OF SOCIAL JUSTICE
ENVIRONMENTAL PROTECTION BUREAU

April 7, 2008

Hon. Jaclyn A. Brilling
Secretary
New York State
Department of Public Service
Three Empire State Plaza
Albany, New York 12223

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Re: Case 08-E-0077 – Verified Petition Filed by Entergy Nuclear FitzPatrick, LLC;
Entergy Nuclear Indian Point 2, LLC; Entergy Nuclear Indian Point 3, LLC;
Entergy Nuclear Operations, Inc.; NewCo; and Entergy Corporation for a Declaratory
Ruling Regarding a Corporate Reorganization, or, in the Alternative, an Order Approving
the Transaction and an Order Approving Debt Financing Proceeding

Dear Secretary Brilling:

Enclosed for filing are the original and twenty-five copies of the Office of the Attorney General's objections to Entergy's petition. The objection requests the Public Service Commission to reject the petition or, in the alternative, initiate a full evidentiary hearing with discovery.

A copy of this filing is being served on counsel for the petitioner. Thank you for your attention and consideration.

Very truly yours,

ANDREW M. CUOMO
Attorney General

by: Charlie Donaldson /lls
Charlie Donaldson
Assistant Attorney General

Enclosures

NEW YORK STATE
PUBLIC SERVICE COMMISSION

Case 08-E-0077 - Verified Petition Filed by Entergy Nuclear FitzPatrick, LLC,
Entergy Nuclear Indian Point 2, LLC, Entergy Nuclear Indian Point 3
LLC, Entergy Nuclear Operations, Inc., NewCo, and Entergy Corporation
for a Declaratory Ruling Regarding a Corporate Reorganization, or,
in the Alternative, an Order Approving the Transaction and
an Order Approving Debt Financing

OBJECTIONS TO
ENTERGY'S PETITION FOR APPROVAL OF
CORPORATE REORGANIZATION AND FINANCING,
AND
MOTION URGING REJECTION OF ENTERGY'S PETITION
OR, IN THE ALTERNATIVE, A FULL HEARING WITH DISCOVERY

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Case 08-E-0077 - Verified Petition Filed by Entergy Nuclear FitzPatrick, LLC, Entergy Nuclear Indian Point 2, LLC, Entergy Nuclear Indian Point 3 LLC, Entergy Nuclear Operations, Inc., NewCo, and Entergy Corporation for a Declaratory Ruling Regarding a Corporate Reorganization, or, in the Alternative, an Order Approving the Transaction and an Order Approving Debt Financing

SUMMARY

The Office of the Attorney General of the State of New York respectfully urges the New York State Public Service Commission (“PSC” or “Commission”) to reject the Entergy Corporation’s (“Entergy”) January 28, 2008 verified petition (“petition” or “Entergy petition”) requesting approval of Entergy’s proposed transfer of ownership of its Indian Point and Fitzpatrick nuclear power plants to a yet-to-be-created separate new corporation (“new corporation”) and to authorize the new corporation to borrow up to \$6.5 billion. Neither the reorganization nor the borrowing is in the public interest. The reorganization would put in doubt access to 80% of the financial resources currently available to support the operation of Entergy’s New York nuclear plants and make the plants rely primarily on funds from riskier sources.¹

¹ Attorney General Andrew M. Cuomo has taken the lead in opposing the relicensing of the Indian Point nuclear plants. New York State has identified serious concerns about the safety and environmental impacts of Indian Point Units 1, 2, and 3, and has set these concerns out in the State’s Petition to Intervene in the United State Nuclear Regulatory Commission’s proceeding to consider whether to renew the operating licenses for these plants. *See* ASLBP No. 07-858-03-LR-BD01. Among the State’s concerns are the threat of terrorist attack, the fact that the Indian Point units are under-designed in light of current knowledge about the risks and consequences of regional earthquakes, and the units’ aging electrical and piping systems. Resolution of these problems could either result in the shut down of Indian Point in the near future or the imposition of substantial additional costs on Entergy to keep the plants open. While these safety and environmental problems are being sorted out it is imperative that Entergy or whoever else owns Indian Point provide adequate and reliable financial support for the plants. Although the Nuclear Regulatory Commission has jurisdiction over the operations and radiological safety of the Indian Point units, New York has authority to ensure that funds are available to remedy operating, safety, or environmental problems at the plants. *See, e.g.*, Case 04-E-0030 - Petition of R.E. Ginna Power Plant, LLC for a Declaratory Ruling on Regulatory

In addition, the reorganization would degrade management of four nuclear power plants, including two operating units adjacent to the largest population center in New York and the United States. Under the reorganization Entergy would no longer have the financial incentive to scrupulously and appropriately manage, operate, remediate, and decommission the Indian Point units. Indeed, Entergy states that “Entergy ... will no longer have any direct liability associated with the operation of [its] New York Facilities.”² Instead, Entergy through its proposed half interest in the company that operates the Indian Point units under contract would be able to secure priority for the Arkansas, Louisiana, and Mississippi nuclear power plants that Entergy would keep. Further, Entergy proposes that the new corporation continue Entergy’s current practice of owning the Indian Point and Fitzpatrick units through an irrational subsidiary structure. This structure uses a separate limited liability company to hold each plant’s operating license and puts Indian Point 2 and Indian Point 1 (with its 50-year-old systems and components, leaking spent fuel pools, and still-to-be decommissioned reactor) with the Vermont Yankee and Michigan Palisades plants under one multilayer line of subsidiaries and Indian Point 3 and Fitzpatrick with the Massachusetts Pilgrim plant under an entirely different line of subsidiaries. Indian Point’s three units are far more likely to receive appropriate corporate management attention if all New York Entergy units are owned through a single corporation with a board of directors responsible solely for them.³

Regime, *Order Providing for Lightened Regulation of Nuclear Generating Facility Owner* (issued and effective May 20, 2004).

² Petition at 16. Capitals in the original.

³ Entergy and its predecessors, Con Edison and NYPA/PASNY, have acknowledged that Indian Point “Unit 1 contains extensive common facilities that are required for the continued operation of Units 2 and 3.” Decommissioning Plan for Indian Point Unit 1, §2.1 (October

In addition to being wrong in substance, Entergy's petition is not accompanied by the corporate, financial and other data and information filings that the Public Service Law and PSC regulations mandate for requests for approval of corporate reorganizations and debt issues subject to Commission review. Indeed, the petition is essentially nothing but assertions and conclusory statements. This is not an adequate basis for approving something as serious as the transfer of ownership of 3,000 megawatts of nuclear generating capacity and burdening these plants with \$6.5 billion of debt.⁴ Moreover, Entergy's annual report to shareholders for its 2007 operations puts in question the credibility of Entergy's characterization of the purposes of the proposed reorganization and debt issue. Under these circumstances the PSC must either reject the petition on the merits or direct Entergy to submit the required supporting filings and institute a full hearing with discovery to determine whether approving Entergy's requests are in the public interest.

1980).

⁴ In contrast to its conclusory filing here, Entergy's January 28, 2008 petition asking the Vermont Public Service Board to approve the proposed reorganization and debt issue was accompanied by the prefiled testimony of a witness. While the prefiled testimony Entergy submitted in Vermont is clearly deficient, it is at least a place to start discovery for the hearings that the Board will eventually hold. *See, e.g.*, Vermont Public Service Board, Docket No. ___, Petition of Entergy Nuclear Vermont Yankee, LLC, and Entergy Nuclear Operations, Inc., pursuant to 30 V.S.A. §§107, 108, 231 and 232, for Approval of an Indirect Transfer of Control of Each Company, Consent to Pledge of Assets, Guarantees and Assignments of Contract by Entergy Nuclear Vermont Yankee, LLC, and Amendment to the CPG of Entergy Nuclear Operations, Inc., to Reflect Name Change, Replacement of \$60-Million Guaranty with \$60-Million Letter of Credit and Substitution of \$700-Million Support Agreement for Two Inter-Company Credit Facilities, *Prefiled Testimony of Wanda C. Curry* (no docket number assigned yet). The links to Ms. Curry's prefiled testimony, her exhibits and Entergy's Vermont petition are located at <http://publicservice.vermont.gov>.

Finally, Entergy has asked the PSC to declare that approval of the proposed corporate reorganization is not an action that requires review under the State Environmental Quality Review Act. Entergy bases this request on its assertions that the reorganizations will not cause any adverse environment impacts or affect any environmental permit. Entergy is wrong. The State Environmental Quality Review Act requires an environmental review if a requested State action “may have a significant effect on the environment.”⁵ The PSC must therefore take into consideration possible effects as well as those that are certain or probable, and also must consider alternatives that could improve the environment. Consequently, the potential effect of the proposed reduction in reliable funding for operation of Entergy’s New York nuclear plants and possible remediation of groundwater contamination and other environmental problems at Indian Point must be addressed.

REQUEST FOR COMMENTS

On February 20, 2008 the PSC published notice of Entergy’s petition and invited public comment.⁶ These objections and motion urging rejection of Entergy’s petition or, in the alternative, a full hearing with discovery are the Office of the Attorney General’s comments and motion responding to the PSC’s notice.

⁵ Environmental Conservation Law §8-0109(2).

⁶ Proposed Rule Making, No Hearing(s) Scheduled, *Transfer of Ownership by Entergy Nuclear Fitzpatrick LLC st al.*, I.D. No. PSC-08-08-00016-P, February 20, 2008 *New York State Register*, p. 24.

BACKGROUND

General. New Orleans-based Entergy's 2007 annual report to the Securities and Exchange Commission set out on Form 10K ("10K") indicates that Entergy engages in many lines of business through over 50 subsidiaries active in several states.⁷ To operate its businesses in 2007 Entergy had over \$33 billion in assets and carried \$22 billion in debt and other liabilities.⁸ After paying debt service and other expenses, Entergy had \$1.1 billion of profits in 2007.⁹

Entergy's lines of business include several regulated electric and gas utilities, nuclear power plants owned by its utilities, wholesale energy trading, nuclear power plant management, retail electric supply, nuclear power plant management, and six merchant nuclear power plants.¹⁰ Three of Entergy's merchant nuclear power plants (Fitzpatrick and Indian Point 2 & 3) are in New York.¹¹

The information in Entergy's 10K is aggregated in a form that does not permit identification of revenue, cost, asset and liability figures for individual Entergy merchant nuclear plants. Instead, the 2007 10K provides information for Entergy as a whole, for sectors

⁷ 10K, *passim*, and Exhibit 21. Documents are available at <http://www.sec.gov/Archives/edgar/data/7323/000006598408000052/a10k.htm> and <http://www.sec.gov/Archives/edgar/data/7323/000006598408000052/a21.htm>.

⁸ 10K at 56 - 57.

⁹ *Id.* at 156.

¹⁰ *Id. passim*.

¹¹ See, e.g., "Entergy Plant Information," available at http://www.entergy-nuclear.com/plant_information/default.aspx. Entergy's other three merchant nuclear power plants are Palisades in Michigan, Pilgrim in Massachusetts, and Vermont Yankee.

identified as “Utility,” “Non-Utility Nuclear” and “All Other,” and for Entergy’s various individual utilities.¹² For the purposes of this analysis the Attorney General’s Office assumes that the figures for Entergy’s sector “Non-Utility Nuclear” approximate those for Entergy’s merchant nuclear plant operations.

Entergy’s Acquisition of New York Plants. Entergy purchased the Fitzpatrick and Indian Point 3 nuclear power plants from the New York Power Authority in 2000 and Indian Point Units 1 and 2 from Con Edison in 2001. Entergy operates its New York units as independent “merchant plants” selling power wholesale to traditional electric utilities and other customers. Together the Indian Point units and Fitzpatrick have about 3,000 megawatts (“MW”) of generating capacity.¹³

STATUTORY AND REGULATORY FRAMEWORK

Statutes and Regulations. The Public Service Law (“PSL”), *inter alia*, gives the PSC jurisdiction over the actions and operations of “electric corporations” within New York.¹⁴ With exceptions not relevant here, the PSL defines “electric corporation” as “every corporation, company, association, joint-stock association, partnership or person ... owning, operating or

¹² See, e.g., 10K at 156 and *passim*.

¹³ Indian Point 2 is rated at 1,028 MW electrical output, Indian Point 3 at 1,041 MW and Fitzpatrick at 838 MW. See 10K at 195. As of 2006, the average capacity factor for U.S. nuclear power plants was 90%. See 2007-2008 NRC Information Digest, NUREG-1350, vol. 19, at p. 24 (Nuclear Regulatory Commission August 2007). It is available at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1350/>

¹⁴ PSL §5.

managing any electrical plant” in New York.¹⁵ PSL §70 provides that the PSC must approve any transfer of more than 10% of the ownership in an electric corporation, and that to give its approval the PSC must find that the transfer is “in the public interest.” Applications for PSC approval of transfer of electric corporation ownership must, *inter alia*, show the applicant’s financial condition and explain in detail the applicant’s reasons for the acquisition.¹⁶

For requests for approval of property or lease transfers the information provided must show “in detail the reasons for what is proposed, all of the facts warranting the same and that the transfer or lease is in the public interest.”¹⁷ Among other information, such applications must supply a list of the franchises, consents and rights to be transferred or leased, a copy of the proposed assignment, contract, lease or agreement, and the cost of the property as shown on the balance sheet of the transferor or lessor.¹⁸

The financial information disclosed with requests for PSC approval of electric corporate reorganizations, acquisitions or debt issues must include, *inter alia*, details about the contingent assets or liabilities, affiliate interests and current balance sheets.¹⁹

PSC authorization for an electric corporation to issue debt is governed by PSL §69, which in pertinent part provides that an electric corporation may raise funds by issuing notes and

¹⁵ PSL §2(13).

¹⁶ 16 NYCRR §39.1. A copy of the regulation is attached.

¹⁷ 16 NYCRR §31.1 (copy attached).

¹⁸ *Ibid.*

¹⁹ 16 NYCRR §18.1 (copy attached).

other forms of debt if the funds are to be used for any of the several purposes set out in the statute and the corporation secures the PSC's prior approval.

The regulations implementing PSL §69 require that applications for PSC approval of electric corporation debt issues contain evidence showing, *inter alia*, the financial condition of the applicant, the basis of the book cost of the applicant's property, and the details of the debt the applicant wishes to issue.²⁰

Lightened Regulation. Like most of the Public Service Law, PSL §70 and §69 were enacted when the electric utilities the PSC supervised were vertically integrated monopolies that owned and operated generating plants, transmitted power in bulk, delivered retail electric service within an exclusive franchise territory and charged regulated prices. Today's electricity marketplace differs from that model, although much of the Public Service Law and its implementing regulations have not been revised to accommodate the changed facts. Instead, the PSC has sought to mesh the law and regulations with the changed facts by issuing generic and specific orders intended to accommodate any disconnects.

One of the major differences between the situation the Public Service Law was designed to address and the current electric service marketplace is that today most New York generating plants are not part of utilities that transmit and retail power. Instead, generators operate as stand alone "merchant plants" that produce power for wholesale at unregulated prices.

The PSC has employed "lightened regulation" to try to accommodate the Public Service Law and regulations as written to the realities of merchant generation. In addressing contentions that the Public Service Law and regulations do not apply to merchant generators, the PSC ruled

²⁰ 16 NYCRR §37.1 (copy attached).

that a developer seeking permission to build a 95 MW gas-fired generating plant (the “Wallkill Project”) was an electric corporation subject to the Public Service Law and regulations but that many statutory legal and regulatory provisions did not address the developer’s proposal and that strict application of some relevant provisions was not necessary.²¹ The PSC therefore proposed to “lightly regulate” the Wallkill project.²²

When the Wallkill developer asked the PSC to approve an ownership change under PSL §70 and authorize a debt issue under PSL §69, the PSC expanded on the meaning of “lightened regulation” for merchant plants. Specifically, the PSC stated that under Wallkill’s circumstances the developer had to ask for PSC authorization, but for ownership changes the only information needed was the identity of the proposed new owners and for debt issues the information needed was a description of the securities to be issued, the amount sought and a statement of the purposes for the borrowing.²³

In 2000 Entergy requested “lightened regulation” for its operation of Fitzpatrick and Indian Point 3 and made the same request for Indian Point 2 in 2001.²⁴ The PSC found that Entergy was an electric corporation within the meaning of the Public Service Law and would operate its nuclear units as merchant plants, but departed from its loosened regulation of Wallkill

²¹ Case 91-E-0350 - In re Wallkill Generating Company, L.P., *Declaratory Ruling on Regulatory Policies Affecting Wallkill Generating Company and Notice Soliciting Comments* (issued and effective August 21, 1991).

²² *Ibid.*

²³ Case 91-E-0350 - In re Wallkill Generating Company, L.P., *Order Establishing Regulatory Regime* (issued and effective April 11, 1994). *See also*, PSC Case 98-E-1670 - Carr Street Generating Station, LP, *Order Providing for Lightened Regulation* (issued April 23, 1999).

²⁴ *See, e.g.*, Cases 00-E-1225 and 01-E-0113.

and other operators of nonnuclear merchant plants by requiring Entergy (and other owners of merchant nuclear plants) to conform more strictly to the Public Service Law and regulations.²⁵

The PSC's stated basis for the stricter regulation of merchant nuclear plants is that the operation of nuclear plants is of more public concern than that of generating plants using other energy sources.²⁶ Among the reasons for PSC greater scrutiny of nuclear plants are that they are more complex to operate and maintain and that they have a higher potential for extended outages.²⁷

ENTERGY'S PETITION

On January 28, 2008, Entergy filed with the PSC: (1) a 24-page petition; (2) nine certificates of formation, correction, ownership and merger, amendment, or incorporation for Entergy and various entergy subsidiaries; (3) two organization charts; (4) a form and attachment related to the State Environmental Quality Review Act; and (5) a draft State Administrative Procedure Act notice. The filing is entirely conclusory and does not contain the financial data and other information that PSC regulations prescribe for requests for approval of electric corporation reorganizations and debt issues, as described above.

The petition makes several requests and assertions. The major relevant requests are that the PSC rule that it does not need to review Entergy's proposal to spin off ownership of its

²⁵ Cases 00-E-1225 and 01-E-0113, *Order Providing for Lightened Regulation of Nuclear Generating Facilities* (issued and effective August 31, 2001), p. 9.

²⁶ *Ibid.*

²⁷ *Id.* at 11.

Indian Point and Fitzpatrick merchant nuclear power plants to a new and totally separate corporation, that the new corporation may borrow \$6.5 billion, and that no environmental review of the proposed actions is needed.²⁸ Entergy's fallback requests are that the PSC approve reorganization and authorize the borrowing without requiring submission of supporting information, and that the PSC make a determination that the proposed reorganization would have no significant adverse impact on the environment.²⁹

In support of its requests, Entergy states that the new corporation will be owned directly by Entergy's current shareholders, that proposed borrowing would involve \$4.5 billion of notes and \$2.0 billion in a revolving credit facility and term letters of credit, and that the funds raised will be used by the new corporation for various generically described business purposes, including engaging in hedging.³⁰

The balance of Entergy's petition is essentially unsupported assertions, including claims that:

- The proposed corporate reorganization is fully consistent with the continued safe and secure operation and maintenance of Entergy's nuclear power plants (petition at 16);
- By facilitating financing for Entergy's New York subsidiaries and enhancing their ability to compete in wholesale power market, the proposed corporate reorganization will benefit New York's wholesale power markets and ultimately New York consumers (petition at 9 & 16);
- The proposed corporate reorganization would "allow greater management focus on" Entergy's New York nuclear plants and other businesses being transferred to the new corporation (petition at 16);

²⁸ See, e.g., petition at 1, 2 & 21 - 22.

²⁹ See, e.g., *id.* at 1 - 2 & 22.

³⁰ *Id.* at 2 & 9 - 11.

- The new corporation will execute a \$700 million financial support agreement to its nuclear plant subsidiaries (petition at p. 8);
- After the proposed corporate reorganization “Entergy ... will no longer have any direct liability associated with the operation of [its] New York Facilities” (petition at 16) (capitalization in the original);
- Entergy’s nuclear power plant operating subsidiary will continue to operate and make changes in the new corporation’s nuclear plants (petition at 8, 9 & 16);
- Entergy’s New York nuclear power plants would benefit from Entergy’s continued involvement with the plants (petition at 8, 9 & 16);
- The proposed corporate reorganization has no potential for harming “captive New York ratepayers” (petition at 14);
- The proposed corporate reorganization is in the public interest (petition at 9 & 15);
- The proposed corporate reorganization qualifies for the “Wallkill Presumption” and therefore no detailed PSC review of the proposed reorganization is required (petition at 1 - 2 & 14);
- A negative declaration that the proposed corporate reorganization will not effect the environment is appropriate (petition at 22 - 23);

DISCUSSION

1. ENTERGY’S PROPOSED CORPORATE REORGANIZATION IS NOT IN THE PUBLIC INTEREST BECAUSE THE REORGANIZATION WOULD THREATEN THE ACCESS OF ENTERGY’S NEW YORK NUCLEAR PLANTS TO ADEQUATE FINANCIAL RESOURCES.

The proposed corporate reorganization would make the access of Entergy’s New York plants to adequate financial resources significantly less certain. The proposed reorganization would terminate Entergy’s existing formal financial support guarantees to its merchant nuclear subsidiaries³¹ and create a new barrier between most of the financial resources that Entergy’s

³¹ Petition at 8, fn 8. Entergy’s proposal that the new corporation set up a \$700 million guarantee to replace the existing Entergy guarantees is not an adequate substitute even if the

New York plants can now call upon. This would leave 2,907 megawatts of New York's generating resources³² with much less reliable financial support.³³ While Entergy's petition is devoid of numbers concerning the value of the resources that would be spun off with Entergy's New York nuclear plants, Entergy's recent filings with the Securities and Exchange Commission indicate that Entergy's merchant nuclear operations comprise approximately \$7.0 billion of Entergy's total \$33.6 billion in resources.³⁴ If Entergy's merchant nuclear operations are a reasonable proxy for the value of the new corporation's resources, Entergy is proposing to build a wall between its New York nuclear plants and 80% of the resources currently available to support their operation or to replace these plants' output if one or more fails.³⁵ Such a dramatic

dollar amount of the replacement is larger than the total of the existing guarantees. The new company's guarantee would be dependent on the same funding sources as the new corporation. In contrast, the existing Entergy guarantees are from Entergy subsidiaries that Entergy has not indicated would be moved to the new corporation.

³² 10K at 195.

³³ The Attorney General's Office does not concede that the proposed corporate reorganization would put any Entergy resources beyond reach if needed to compensate New Yorkers. That said, the reorganization would make access to these resources more difficult if only by creating additional legal arguments that would have to be overcome.

³⁴ 10K at 156.

³⁵ Nine Mile 1's 34 month outage beginning in December 1987 cost the Niagara Mohawk Power Corporation, the plant's owner, at least \$375 million in 1990 dollars. Case 29327 *et al.* - Niagara Mohawk Power Corporation, *Opinion No. 89-37(D)* (issued June 28, 1991) and *Recommended Decision*, 31 NY PSC 1745, 1765. During this outage Niagara Mohawk was a traditional vertically integrated electric utility producing, transmitting and delivering power to captive customers. Notably, a merchant plant owner does not have Niagara Mohawk's ability to continue to collect revenues even if a plant is not working. The owner of Entergy's New York nuclear plants must therefore be prepared to sustain substantial plant outage and repair costs from sources other than income. New York nuclear plants have had other extended outages, most recently the extended outage required for the replacement of Indian Point 2's steam generators following a tube rupture and radiation release in February 2000. *See, e.g.*, Case 00-E-0612 - Proceeding on Motion of the Commission to Investigate the Forced Outage at

reduction in the support for Entergy's New York plants is not in the interest of New York ratepayers or the public.

Moreover, this reduction in support is inconsistent with Entergy's reliance on its full resources when arguing to the PSC that full regulation of its New York operations was not necessary.³⁶

The second major reason that the proposed reorganization of the ownership of Entergy's New York nuclear power plants is not in the interest of New York ratepayers is that the financial resources that Entergy proposes that the plants rely on are much riskier than those of Entergy as a whole. As shown above, Entergy engages in numerous lines of business, including regulated traditional utilities with virtually guaranteed cash flows. In contrast, the proposed new owner of Entergy's New York plants would rely on just three income sources: wholesale power generated by six merchant nuclear plants, management of nuclear plants, and competitive electricity retailing. Since the potential cash flow from the electricity retailer Entergy proposes to include

Consolidated Edison Company of New York, Inc.'s Indian Point No. 2 Nuclear Generating Facility & Petition of Certain Members of the New York State Legislature Regarding Indian Point No. 2 Outage, *Order Adopting Terms of Joint Proposal* (issued and effective February 12, 2004). Currently, Entergy has ordered replacement reactor heads for Indian Point and faces an outage of unknown duration when a new head is installed. Reactor experience outside New York is also instructive. In the late 1990's the three Millstone reactors in Connecticut were shut down for more than two years due to absence of required documentation for safety equipment. In fact, Millstone 1's documentation was so deficient that the plant's owner shut it down permanently rather than try to prove that the plant could operate safely. New York State is concerned about Entergy's documentation for Indian Point and is raising this safety issue in the Indian Point license renewal proceeding. Consequently, the State wants whoever owns the Indian Point units to have immediate access to financial resources adequate for the quickest possible restoration of the site to full economic use. Mothballing the Indian Point units to wait for decommissioning trust funds to accumulate enough interest to pay for clean up is not an acceptable option. Nuclear plants in "SAFESTOR" have minimal value and would provide little to the local economy or tax revenues.

³⁶ Case 00-E-1225, *Declaratory Ruling on Lightened Regulation* (issued and effective August 23, 2000), p. 2; Cases 00-E-1225 and 01-E-0113, *Order Providing for Lightened Regulation of Nuclear Generating Facilities* (issued and effective August 31, 2001), p. 3.

in the new corporate structure is unknown, there are two visible means of support for the New York plants - sale of the power that they and three affiliates generate and payment for a sister company's management of nuclear power plants outside New York. Consequently, the proposed corporation's entire cash flow is vulnerable to any industry-wide disruption of nuclear power generation. On a smaller scale, the proposed new corporation's cash flow to support operations would be severely curtailed by an extended outage at one or more of its plants. Contrary to Entergy's assertions that separating its New York nuclear plants would benefit New York ratepayers, the separation would put our power supply and our ratepayers at greater risk in that the new truncated corporation would be dependent on riskier sources of financing.

Another way the proposed reorganization would make Entergy's New York nuclear plants less reliable is that the reorganization would provide Entergy with veto power over decisions concerning the operation, maintenance and modification of these plants with what Entergy asserts is no responsibility for the consequences of that control. Entergy's proposal is to retain an exactly even one half interest in the Entergy subsidiary that currently operates both Entergy's merchant nuclear plants, including its New York plants, and Entergy's nuclear plants embedded in Entergy's traditional vertically integrated electric utilities. With an ability to deadlock the decision-making process and an equal say in what the operating subsidiary does, Entergy could skew allocation of critical spare parts or personnel to the nuclear plants that serve Entergy's utilities. Contrary to Entergy's assertion described above, after the proposed reorganization Entergy's continued involvement with what are now its New York plants would not benefit the plants or New York ratepayers.

As things are now, Entergy has a vested interest in giving priority to its merchant plants because Entergy earns nothing from its merchant plants unless they operate. In contrast, Entergy's regulated utilities continue to take in revenue even if one or more of their nuclear plants are down. This incentive for Entergy to take special care of its New York plants goes away under the proposed reorganization and is replaced by an Entergy bias toward the utility-based nuclear plants Entergy would continue to own. Also contrary to Entergy's assertion described above, the proposed reorganization would reduce management focus on its New York nuclear plants in that the actual management of the plants is done by an Entergy nuclear plant subsidiary that would continue to operate the New York plants but would focus more on Entergy's utility plants after the reorganization.³⁷

Even if Entergy no longer wishes to be bound by the duties that follow from ownership, it should not be able to create a mechanism that extracts cash, maintains 50 % control, and loads up the plants with debt. If Entergy was seeking to sell the plants to a third party, it appears unlikely that the PSC would allow transfer to an undercapitalized entity loaded with debt. Even to the extent Entergy is not disposing of the plants, it is effectively mortgaging them and lowering Entergy's own capital base by raising debt to buy back shares. Especially if the U.S. economy weakens, less capital and declining free cash flow increases the risk to Entergy's viability as a whole. Rating agencies, for example, may consider this an adverse event. Accordingly, the PSC should deny the petition.

³⁷ For Entergy's assertion that the proposed reorganization would improve management focus on its New York nuclear plants to be valid, Entergy's current management of the plants must need improving. Such a condition is unacceptable. Entergy is already obligated to provide New Yorkers the best possible management of Indian Point and Fitzpatrick.

2. ENTERGY'S PROPOSED CORPORATE REORGANIZATION IS NOT IN THE PUBLIC INTEREST BECAUSE THE PROPOSED REORGANIZATION THREATENS TO DEPRIVE NEW YORK POWER AUTHORITY CUSTOMERS OF UP TO \$360 MILLION THAT COULD BE USED TO REDUCE THEIR BILLS.

Entergy claims that the corporate reorganization it is asking the PSC to approve will enable Entergy to avoid paying the New York Power Authority ("NYPA") up to \$360 million that would benefit the Metropolitan Transit Authority, municipalities, economic development projects, and other NYPA customers. As a public authority, NYPA sets its charges to recover its costs.³⁸ To the extent NYPA has income from other sources to cover its costs, NYPA can reduce what it collects from its customers. Thus whatever NYPA collects from Entergy directly benefits NYPA customers.

The threatened NYPA revenues come from an agreement with Entergy to share the revenues produced by the Indian Point 3 and Fitzpatrick plants NYPA sold Entergy. On page 85 of its 2007 Annual Report to shareholders,³⁹ Entergy describes its agreement to pay NYPA up to \$72 million per year through 2014 and its intent to use the proposed reorganization to get out of this agreement. According to Entergy, a clause in its revenue sharing agreement with NYPA provides that Entergy's obligation to share the plants' revenues ends if "Entergy or an Entergy affiliate ceases to own the plants." Thus, Entergy is admitting that a major motive, if not the major motive for creating the new corporation is to enable Entergy to make the claim that Indian Point 3, Fitzpatrick, and its other merchant nuclear plants are part of a separate economic island

³⁸ "Cost" here is a broad term that includes accumulating financial reserves, funding energy conservation and other costs not directly related to producing and transmitting power.

³⁹ Entitled "Unlocking Value." A copy of the Report is attached. It is available at http://www.entergy.com/investor_relations/2007_publications.aspx.

for which Entergy has no responsibility. Entergy predicts the reorganization will enable Entergy to disclaim ownership of Indian Point 3 and Fitzpatrick in 2008 and thus get out of paying NYPA beyond the installment due in January 2009.

The likelihood that Entergy's gambit will enable it to duck out of its revenue sharing obligation to NYPA cannot be evaluated from the limited information in Entergy's report. But the benefits to NYPA's customers should not be put at risk and must be preserved by rejecting the proposed reorganization.

3. THE PUBLIC SERVICE COMMISSION MUST REJECT ENTERGY'S PETITION AS FILED BECAUSE IT DOES NOT PROVIDE THE INFORMATION NEEDED TO DETERMINE WHETHER THE PROPOSED REORGANIZATION INVOLVING NUCLEAR POWER PLANTS IS IN THE PUBLIC INTEREST.

As pointed out above, nuclear power plants are a matter of greater public concern than generators that use other energy sources.⁴⁰ The major consequence of this greater concern is that the PSC gives merchant nuclear plants closer scrutiny; an incidental consequence is that the PSC requires merchant nuclear plant owners to supply far more information than the minimal filing under the "Wallkill presumption" standard Entergy used to craft its petition. As written, Entergy's petition utterly fails to provide the information the PSC requires for matters involving nuclear plants.

A major disclosure requirement that Entergy ignored when drafting its petition is a showing that the proposed corporate reorganization will ensure that there will be adequate resources to reduce the likelihood of outages and to endure those that happen. Entergy's petition

⁴⁰ Cases 00-E-1225 and 01-E-0113, *Order Providing for Lightened Regulation of Nuclear Generating Facilities* (issued and effective August 31, 2001), p. 9.

does not provide this information. Instead, the only information Entergy provides about what resources will be in the proposed new corporation with Entergy's New York nuclear plants is that the new corporation will also own three other Entergy merchant nuclear plants, an electricity retailer and half of Entergy's nuclear power plant operating subsidiary.⁴¹ Entergy says nothing about the nature or amount of the other resources that will be transferred to the new corporation. More importantly, Entergy says nothing about the nature or amount of the debt or other liabilities Entergy proposes to transfer to the new corporation. Given that Entergy's total liabilities are currently \$22.2 billion and Entergy has total control of the terms of the proposed reorganization, Entergy must disclose the amount of debt or other liabilities that it proposes to transfer to the new corporation.

The fact that Entergy is asking that the new corporation be authorized to incur up to \$6.5 billion of new debt does not remedy the lack of information about the resources intended for the new corporation. Since nothing about the proposed reorganization is arms-length, there is no reason to assume that Entergy will not take most of the cash raised by the new corporation.

Indeed, Entergy's 2007 Annual Report to Shareholders, entitled "Unlocking Value," makes clear that Entergy intends for the majority of the cash the new corporation raises to wind up on Entergy's balance sheet.⁴² Entergy asserts that it expects to get \$4.0 billion of the \$6.5 billion to be raised and even describes how it intends to spend the \$4.0 billion; "\$2.5 billion is

⁴¹ Since Entergy mentions the electricity retailer only in a footnote and the petition nowhere states that only the entities identified in the petition will be moved, it is unclear just what Entergy intends to shift to the new corporation.

⁴² See, e.g., Entergy 2007 Annual Report to Shareholders, pp. 2 - 4.

targeted for a share repurchase program” and “\$1.5 billion ... is targeted to reduce debt.”⁴³

Taking this amount of cash from the new corporation would have serious consequences for Entergy’s New York plants and Entergy must inform the PSC of its intentions concerning where the cash the new corporation would raise would wind up.

The fact that Entergy did not mention so major a fact as its intention to take \$4.0 billion out of the new corporation illustrates the petition’s inadequacy for use as the basis for a PSC decision about a corporate reorganization involving nuclear power plants.⁴⁴

Entergy’s SEC filings provide further warnings that Entergy’s PSC petition leaves out material information. While Entergy’s latest 10K does not contain specific numbers for Entergy’s New York plants, it does state that in 2007 Entergy’s merchant nuclear operations provided 47.5 % (\$539.2 million) of Entergy’s \$1,134.8 million in reported profits.⁴⁵ That is, Entergy’s \$7.0 billion investment in merchant nuclear operations produced a 7.7% return while Entergy’s \$26.6 billion investment in other business lines yielded just 2.2%. Entergy’s rate of

⁴³ *Id.* at 3, 2d col.

⁴⁴ In contrast, Constellation Energy Group, Inc. was far more forthcoming when it applied for approval for its Nine Mile Point Nuclear Station, LLC merchant nuclear power plant subsidiary to borrow a fraction (\$850 million) of the \$6.5 billion Entergy wants. Constellation indicated that it wanted \$450 million to pay for acquiring Nine Mile Point Unit 1 and 82% of Nine Mile Point Unit 2, \$250 million “to optimize its capital structure,” and \$150 million to “ensure [the subsidiary’s] access to the intra-company cash pool.” Case 01-E-0611 - Nine Mile Point Nuclear Station, LLC - Petition Under Public Service Law §69 for Authorization to Assume Promissory Notes, Execute an Intra-Company Credit Agreement, Demand Note and Additional Debt Financing, *Order Authorizing Issuance of Promissory Notes and Additional Debt Financing, and Making Additional Findings* (issued and effective October 26, 2001).

⁴⁵ *Id.* at 156.

return on its investments in merchant nuclear operations was two and a half times greater than its rate of return on the balance of its business.⁴⁶

Much of the disparity between Entergy's return from its merchant nuclear operations and its other lines of business in 2007 was due to differences in interest and other financial charges and in charges for depreciation, amortization and decommissioning. In 2007 Entergy's merchant nuclear operations had interest and other financial charges of \$34.7 million and depreciation, amortization and decommissioning charges of \$177.9 million.⁴⁷ For Entergy's other businesses the corresponding figures were \$627.5 million and \$953.8 million.⁴⁸

The implication of the disparity between the profitability of Entergy's merchant nuclear operations and its other operations is that Entergy has more in mind than sweeping \$4.0 billion from the new corporation. Without its merchant nuclear operations, Entergy's rate of profitability from the balance of its operations would have been a third less. To make the changes in its financial structure sufficient to maintain its 2007 level of profitability after the proposed reorganization, Entergy would have to ship out considerably more cost with its merchant nuclear plants.

Since the costs involved in operating and maintaining the non-merchant nuclear operations Entergy intends to keep can't be shifted, the major categories of costs Entergy could

⁴⁶ The fact that Entergy's rate of return from its merchant nuclear operations is higher than from its other businesses does not undercut the argument that New York ratepayers are better off with Entergy's continuing to own its New York plants. The dollar amount of the income from the other Entergy businesses is greater than that from Entergy's merchant nuclear operations and is more reliable.

⁴⁷ 10K at 156.

⁴⁸ *Ibid.*

load on the new corporation are debt, decommissioning, depreciation and amortization. All four of these costs have the same effect on the accounting bottom line but depreciation and amortization provide Entergy cash flow. Moving decommissioning costs would be problematic because such costs are supposed to be tied to specific generating plants. This leaves debt as the likely candidate for transfer from Entergy to the new corporation.

In 2007 Entergy reported having \$9.728 billion in long term debt.⁴⁹ Rough, back of the envelope calculations can provide some idea of what Entergy would have to do to maintain its 2007 level of profitability after the proposed reorganization. If we assume that long term debt is attributable to Entergy's merchant nuclear operations in the same ratio as its reported merchant nuclear share of interest expense in 2007, Entergy merchant nuclear's share of Entergy's total long term debt would be about \$500 million (5%). New York knows from Entergy's 2007 Annual Report to Shareholders that Entergy intends to retire \$1.5 billion of debt with part of the cash it expects to take from the new corporation. Thus, if everything goes as Entergy expects, Entergy would likely come out of the corporate reorganization with \$2.0 billion less debt.

Reducing Entergy's debt by \$2.0 billion would not maintain Entergy's rate of profitability. We have no way of knowing the interest rate on the first \$500 million of debt that Entergy would transfer to the new corporation or on the debt Entergy would retire with the cash it gets in the reorganization, but if we assume 5% interest on average, to maintain its 2007 rate of profitability through debt transfer alone, Entergy would have to transfer about another \$6.5 billion in debt to the proposed new corporation. Of course the \$2.5 billion in stock that Entergy says it intends to buy back would reduce the denominator in the profitability calculation.

⁴⁹ 10K at 57.

The concern here is not that Entergy intends to transfer any specific amount of debt to the new corporation. Rather the concern is that Entergy has both the incentive and the opportunity to make an excessive transfer of debt or other liabilities, but Entergy's petition provides no information from which the PSC could determine that such a transfer will or will not occur. Under these circumstances protection of the interest of New York ratepayers requires that the PSC reject Entergy's petition for insufficient disclosure about the proposed financial condition of the new corporation.

Another reason for rejecting the petition for providing insufficient information about the proposed reorganization is that Entergy makes disparate benefit claims in the petition and in its 2007 Annual Report to Shareholders, but does not provide the information needed for the PSC to determine which claims are credible. The petition claims, at page 16, that the reorganization will "enhance the ability of regulators, analysts, capital markets, and shareholders to understand and evaluate" Entergy's merchant nuclear operations," allow greater management focus," "increase financial flexibility" and "efficiency," and "enhance" the plants' "ability to effectively participate in the competitive wholesale energy markets." The petition makes no mention of Entergy's expectation of taking \$4.0 billion in cash out of the new corporation or Entergy's effort to use the reorganization to get out of paying NYPA revenue sharing.

In its 2007 Annual Report to Shareholders, at pages 3 - 4, Entergy includes in the list of the proposed reorganization's virtues the claims that the new corporation can expect improved borrowing capacity and financial flexibility but otherwise touts the cash Entergy will get from the reorganization, the potential for stock price appreciation, the ability of the new corporation to assume more financial risk and the ability of Entergy to escape sharing its revenues with NYPA.

This comparison is not made to advocate either set of “virtues” described in the two documents, although this office has serious problems with Entergy’s attempting to sluff its obligation to NYPA and indirectly to NYPA customers. Instead, the comparison shows that the information in Entergy’s petition cannot be presumed to be accurate. Some values of the proposed reorganization described in Entergy’s 2007 Report to Shareholders are inconsistent with ratepayer and public benefit claims in the petition, yet the petition contains no information that would enable the PSC to determine which Entergy benefit claims are valid. For example, the claim in the 2007 Report to Shareholders petition that the reorganization would enable Entergy to take \$4.0 billion in cash from the new corporation is inconsistent with the claim in the petition that the reorganization would benefit the public by allowing the new corporation “increased financial flexibility.” Nothing in the petition suggests any way that both claims can be true or provides a basis for the PSC to decide that Entergy will not take the lion’s share of the cash the new corporation raises.

Because Entergy has not provided sufficient information to make it possible for the PSC to make a judgement about the validity of the various claims for the proposed reorganization and their relevance to the interests of New York ratepayers and the public, the PSC must reject Entergy’s petition.

4. THE PUBLIC SERVICE COMMISSION MUST REJECT ENTERGY’S REQUEST FOR APPROVAL OF THE BORROWING BY THE NEW CORPORATION BECAUSE ENTERGY HAS NOT PROVIDED THE INFORMATION NEEDED TO DETERMINE THAT THE REQUESTED DEBT ISSUE IS IN THE PUBLIC INTEREST.

Entergy has asked the PSC to authorize the proposed new corporation to issue up to \$6.5 billion in new debt but has provided only generic information as to what the funds would be used

for, *e.g.*, acquire the “stocks and assets” of Entergy’s New York nuclear plants.⁵⁰ The first objection is that Entergy has not demonstrated that the creation of the proposed new corporation is in the interest of New York ratepayers and the public. Without a finding that the underlying corporate reorganization is in the public interest, approval of any debt is not warranted.

Even if the PSC finds that the proposed corporate reorganization is in the public interest, Entergy’s petition does not contain the information needed to determine that either the amount of debt requested or how it would be used is necessary or appropriate. Entergy’s petition contains no numbers other than the amount of authorization requested for notes (\$4.5 billion) and revolving credit and term letter of credit facilities (\$2.0 billion). There is nothing from which the PSC can determine whether these amounts are reasonably related to ensuring that Entergy’s New York nuclear power plants would be operated safely and reliably or whether the amount of financing would so burden their operations as to put their safety and reliability in question. In addition, the petition asks for approval of the use of the acquired funds for unspecified “hedging contracts.”⁵¹ While Entergy may intend that the “hedging” be limited to those involved in providing certainty for fuel costs, power prices and other transactions specifically related to the operation of the nuclear plants that the new corporation would own, the petition does not say this.

In contrast, in its 2007 Annual Report to shareholders Entergy candidly states that the major purpose of the new corporation’s borrowing is to provide Entergy \$4.0 billion in cash⁵² and

⁵⁰ Petition at 2 - 3, 9 - 12 & 19 - 20.

⁵¹ *See, e.g.*, petition at 20.

⁵² 2007 Annual Report to Shareholders, p. 5.

that a major goal of the reorganization is to “not leave any money on the table.”⁵³

Because Entergy’s petition does not provide the information needed to approve either the proposed corporate reorganization or the debt issues and because other documents raise serious questions as to whether the amount of debt proposed is in the interest of New York ratepayers or the public, the PSC must reject Entergy’s request for debt authorization because Entergy had not provided the PSC sufficient information to make the findings required by PSL §69.

5. ENTERGY MUST FILE AN ENVIRONMENTAL IMPACT STATEMENT ASSESSING THE PROPOSED CORPORATE REORGANIZATION AND ALTERNATIVES, INCLUDING ALTERNATIVES THAT MIGHT BENEFIT NEW YORK’S ENVIRONMENT.

Entergy acknowledges that a State Environmental Quality Review Act (“SEQRA”) review is required if the PSC conducts a Public Service Law §70 review of the proposed corporate reorganization but incorrectly asserts that the proposed reorganization poses no threat to New York’s environment.⁵⁴ As shown below, the proposed reorganization would threaten the financial resources needed to operate Entergy’s New York plants safely and reliably. Where there is potential for adverse environmental effects, SEQRA requires consideration of alternatives in an environmental impact statement (“EIS”).

Moreover, Entergy misconstrues SEQRA to mean that no EIS is required if the action a state agency is request to approve would make no change in the environment.⁵⁵ SEQRA requires consideration of alternatives, including alternatives that might improve the environment as well

⁵³ *Id.* at 6.

⁵⁴ Petition at 22 - 23 and Exhibit 8.

⁵⁵ *Ibid.*

as those that would do less damage than the proposed action.⁵⁶ Nothing in Entergy's filing indicates that Entergy gave any consideration to changes that would make the plants safer, more reliable or otherwise reduce their threat to the environment.

As to potential environmental harm the proposed corporate reorganization could cause, Entergy ignores the potential for an underfunded owner to be unable to operate the subject plants safely and reliably and the reduced priority in the attention the New York plants would receive if their ownership is transferred from Entergy but Entergy retains an equal interest in the subsidiary that actually operates the plants. Entergy's New York nuclear power plants can be assured of their current priority of attention only if the proposed new corporation that would own them also has predominant control of the nuclear plant operating subsidiary that Entergy proposes to share with the new corporation.

By way of an example, an alternative reorganization that would provide positive environmental benefits at Indian Point would be to enable the new corporation to use its borrowings to do a full clean up of all the contaminated ground water under Indian Point and to add much needed closed-cycle cooling to reduce Indian Point's damage to the Hudson River ecosystem. Another alternative reorganization would be the structuring of the new corporation and its financing so that it can shut down the Indian Point plants as soon as practical and promptly decommission them so that the site can be restored to unrestricted use long before the expiration of the plants' current operating licenses.

Further, Entergy does not address the potential for improving the reliability and safety of Entergy's New York plants by consolidating their ownership under a single corporation with a

⁵⁶ Environmental Conservation Law §8-0109.

responsible board of directors. Instead, Entergy proposes that its New York plants continue to be held through a Rube Goldberg subsidiary structure that puts Fitzpatrick and Indian Point 3 in one holding company structure with the Pilgrim plant in Massachusetts and Indian Point 1 and 2 in an entirely different holding company chain with the Michigan Palisades and Vermont Yankee plants.⁵⁷ Entergy may have a persuasive explanation for why consolidating the control of its New York plants in a single corporation focusing on the efficient and reliable management of these plants is not in the public interest but that explanation is not in Entergy's petition or accompanying filings.

Moreover, the proposed structure would continue to have a separate limited liability company own each New York merchant nuclear plant.⁵⁸ The value of using limited liability companies to Entergy, *e.g.*, the opportunity to make a legal claim that liability for accidents or contamination at a plant is limited to the assets of the plant owner and Entergy's ability to control each plant without having to deal with a corporate board focused on what is best for the plant, is obvious. The value of Entergy's use of limited liability companies does not appear to be in the public interest.

**MOTION URGING REJECTION OF ENTERGY'S PETITION,
OR, IN THE ALTERNATIVE, A FULL HEARING WITH DISCOVERY**

For the reasons set out above, we urge the PSC to reject both Entergy's proposed corporate reorganization transferring Entergy's New York merchant nuclear power plants to a new holding company and Entergy's request for approval of debt issue by the proposed new

⁵⁷ Petition, Exh. 7 (copy attached).

⁵⁸ *Ibid.*

holding company. Entergy has not carried its burden of proof to establish that the proposed corporate reorganization is in the public interest. Thus, if the PSC determines not to have a full evidentiary hearing adjudicating Entergy's proposal and relies instead on written submissions from Entergy and other parties, the PSC must reject the petition.

If it declines to reject Entergy's petition on the merits, the PSC must direct Entergy to submit the corporate and financial data and other information mandated by Public Service Law §70 and relevant regulations for consideration of changes in ownership of electric corporations and by Public Service Law §69 and relevant regulations for consideration of request for approval of debt issue by electric corporations. Further, the PSC must direct Entergy to comply with SEQRA. When Entergy makes the necessary filing, the PSC should direct that Entergy's requests be considered in a full evidentiary hearings with discovery by interested parties. Only a full examination of Entergy's proposed actions will ensure that the interests of New York ratepayers and New York's environment are adequately protected.

Dated: April 7, 2008

Respectfully submitted,

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APPENDIX A

NEW YORK CODES, RULES AND REGULATIONS

TITLE 16. DEPARTMENT OF PUBLIC SERVICE
CHAPTER I. RULES OF PROCEDURE
SUBCHAPTER C. APPLICATIONS FOR AUTHORITY
ARTICLE 4. SECURITIES

PART 39. ACQUISITION OF CAPITAL STOCK OR BONDS OF GAS, ELECTRIC, STEAM,
WATERWORKS, TELEGRAPH AND TELEPHONE CORPORATIONS

16 NYCRR § 39.1 (2008)

§ 39.1 Contents of petition

In all applications for authorization to purchase or acquire capital stock of any domestic railroad corporation, other common carrier, a telegraph or telephone corporation, or capital stock or bonds of an omnibus corporation, a gas, electric, steam or waterworks corporation, the petition shall be made by the corporation proposing to acquire the securities and shall show:

(a) The financial condition of the applicant if a public utility and of the corporation whose stock or bonds are sought to be acquired or held as required. (See Part 3 of this Chapter.)

(b) The reasons in detail why the applicant desires to make the purchase and the amount of such stock or bonds already owned by the applicant.

(c) The market value of the stock or bonds to be purchased, if practicable, with highest and lowest sale price during a period of at least three years prior to the making of the petition and the dates of such sales; dividends, if any, paid on the stock proposed to be acquired for a period of five years prior to the making of the petition; the price proposed to be paid and the terms of payment.

(d) Certified copy of authorizations already received and a statement of authorizations which must be obtained from other State or Federal authorities before acquisition of the securities may legally be consummated.

Statutory authority: Public Service Law, §§ 70, 83, 89-h, 100

Renumbered 50.1 to be 39.1 on 11/21/72.

APPENDIX B

NEW YORK CODES, RULES AND REGULATIONS

****TITLE 16. DEPARTMENT OF PUBLIC SERVICE**

CHAPTER I. RULES OF PROCEDURE

SUBCHAPTER C. APPLICATIONS FOR AUTHORITY

ARTICLE 3. TRANSFER OF CERTIFICATES, PERMITS AND/OR PROPERTY

**PART 31. GAS, ELECTRIC, STEAM, WATERWORKS, TELEGRAPH AND TELEPHONE
CORPORATIONS**

16 NYCRR § 31.1 (2008)

§ 31.1 Contents of petition

Applications under sections 70, 83, 89-h, or 99 of the Public Service Law, for approval of transfer or lease of consents, franchises, works or systems, or agreements affecting them shall be by joint or separate petitions, duly verified by all parties to the transfer or lease and shall show in detail the reasons for what is proposed, all of the facts warranting the same and that the transfer or lease is in the public interest. The petition shall state:

(a) In case of transfer, the facts called for in subdivisions (f)-(i) and (p) of section 3.1 of this Chapter applicable to property to be transferred.

(b) General description of the property to be transferred or leased.

(c) List of the franchises, consents and rights to be transferred or leased, including the name of the grantor, date when granted, date of approval by this commission and number of case in which approval was granted and copy of said franchises, consents and rights duly certified by the proper official.

(d) A certified copy of the approval of the municipality to the transfer or lease if any of the local consents or franchises involved required that they shall not be transferred or leased without the consent of the municipality granting the same.

(e) A copy of the proposed assignment, contract, lease or agreement to be approved.

(f) Inventory of the property proposed to be transferred or leased with the original cost of such property, original cost being the cost to the person first devoting the property to public service, and person being an individual, a corporation, a partnership, an association, a joint stock company, a business trust or any organized group of persons whether incorporated or not, or any receiver or trustee.

(g) In said inventory, the property shall be classified according to the requirements of the system of accounts prescribed by this commission applicable to the transferor or lessor.

(h) An estimate of the accrued depreciation in the property together with a statement of the method or methods used in arriving at such estimate.

(i) The cost of said property as shown upon the balance sheet of the transferor or lessor.

(j) The depreciation and amortization reserves applicable to said property, estimated if not ascertainable from books and records.

APPENDIX C

NEW YORK CODES, RULES AND REGULATIONS
TITLE 16. DEPARTMENT OF PUBLIC SERVICE
CHAPTER I. RULES OF PROCEDURE
SUBCHAPTER C. APPLICATIONS FOR AUTHORITY
ARTICLE 1. GENERAL
PART 18. FINANCIAL CONDITION DEFINED

16 NYCRR § 18.1 (2008)

§ 18.1 Information required

Whenever a petitioner is required to state its financial condition, there shall be submitted the following information:

(a) Amount and classes of stock authorized by law or certificate of incorporation, as last amended.

(b) Where capital stock has been authorized by the commission, the case number and date of the order of such authorization.

(c) Separately for each class of stock: par value, if any; amount actually paid to the corporation for such stock; amount of premium realized thereon; number of shares and par value, if any, of stock for which subscriptions have been received but which at the date of the balance sheet had not been fully paid and issued together with the agreed purchase price and amount of payments on such subscriptions.

(d) Terms of preference of each class of preferred stock.

(e) Separate statement for each class of nonpar stock showing amount of each item transferred thereto from surplus or other accounts, the date of such transfer and the title of the account from which the transfer was made.

(f) Where bonds, notes or other evidences of indebtedness have been authorized by the commission, the case number and date of the order of such authorization.

(g) Brief description of each mortgage upon any property of the applicant giving date of execution, name of mortgagor, name of mortgagee or trustee, amount of indebtedness authorized to be secured thereby, amount of indebtedness actually incurred and brief description of mortgaged property.

(h) Separately for each bond issue: the number and amount of bonds authorized and issued; the amount outstanding, the outstanding bonds to be subdivided between actually outstanding and nominally outstanding (reacquired); the name of the company which issued the bonds; the description of each class of bonds separately, giving date of issue, face value, rate of interest, date of maturity and how secured. If convertible bonds are authorized or outstanding, the date when the conversion privilege accrues and expires, the securities into which and the rate at which conversion may be made.

(i) Separate statement for each affiliated interest as defined by the Public Service Law; the amount of advances therefrom, the name of the creditor, the interest provisions, terms of settlement

APPENDIX D

NEW YORK CODES, RULES AND REGULATIONS

TITLE 16. DEPARTMENT OF PUBLIC SERVICE

CHAPTER I. RULES OF PROCEDURE

SUBCHAPTER C. APPLICATIONS FOR AUTHORITY

ARTICLE 4. SECURITIES

PART 37. ISSUANCE OF STOCKS, BONDS, NOTES OR OTHER EVIDENCES OF
INDEBTEDNESS: GAS, ELECTRIC, STEAM, WATERWORKS, TELEGRAPH AND
TELEPHONE CORPORATIONS

16 NYCRR § 37.1 (2008)

§ 37.1 Contents of petition

The petition duly verified shall state or contain:

- (a) Financial condition of the applicant (see Part 3 of this Chapter).
- (b) The basis of the book cost of utility property of applicant and particularly whether it represents original cost of such property as original cost is defined in subdivision (f) of section 31.1 of this Subchapter, if it does not represent original cost, the basis should be fully stated.
- (c) Statement of whether such book cost includes any amount for a franchise, consent or right to operate as a public utility.
- (d) The amount and kind of stock which the corporation desires to issue, and, if preferred, the nature and extent of the preference.
- (e) The amount of bonds, notes and other evidences of indebtedness which the corporation desires to issue, date of maturity, the rate of interest, how secured, and if to be secured by a mortgage or pledge, the terms thereof.
- (f) The purposes for which the funds to be derived from the issuance of such securities are to be used, and particularly the amount for each of the following:
 - (1) acquisition of property;
 - (2) construction, completion, extension or improvement of facilities;
 - (3) improvement or maintenance of its service;
 - (4) discharge or refunding of its obligations; and
 - (5) reimbursement of moneys actually expended from income or from any other moneys in the treasury not obtained from the issuance of stocks, bonds, notes or other evidences of indebtedness.
- (g) The funds available from sources other than the proposed financing to meet in part the purposes stated in subdivision (f) of this section, including contributions from customers or others, salvage proceeds, depreciation reserve accruals and any unused balances in prior financing applications.
- (h) Copy of contract or agreement for the disposal of any of the stocks, bonds, notes or evidences of indebtedness which it is proposed to issue.
- (i) Statement in detail of the estimated costs and expenses of the contemplated financing.

APPENDIX E

ENTERGY CORPORATION PRESENTS

UNLOCKING VALUE

Cracking even the toughest of cases!

Featuring 14,300 EMPLOYEES *Directed by* BOARD OF DIRECTORS
Produced by SHAREHOLDER STUDIOS *Story by* ENTERGY'S LEADERSHIP TEAM





Keys to Growth

We continually seek to create value in our businesses and it is our job to unlock that value for the benefit of our shareholders, customers, employees and communities. In 2007, we announced plans to pursue the spin-off of our non-utility nuclear assets to our shareholders. This transaction was structured to consider the interests of all stakeholders and is expected to return value for all.

In our 2007 annual report, we present the ongoing stories of our efforts to create, capture and unlock value in our utility and nuclear businesses. Against this backdrop, we also present the greatest value realization story we've ever told, the story of the spin transaction and the three entities it creates – Entergy Classic, SpinCo and the Nuclear Services Joint Venture.

ENTERGY CORPORATION AND SUBSIDIARIES 2007

Entergy Corporation is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, and it is the second-largest nuclear generator in the United States. Entergy delivers electricity to 2.7 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of more than \$11 billion and approximately 14,300 employees.

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| | | | | Directors and Officers | 100 |

HIGHLIGHTS

| | 2007 | Change | 2006 | Change | 2005 |
|---|---------------|-------------|---------------|---------------|----------|
| FINANCIAL RESULTS | | | | | |
| (in millions, except percentages and per share amounts) | | | | | |
| Operating revenues | \$11,484 | 5.1% | \$10,932 | 8.2% | \$10,106 |
| Consolidated net income | \$ 1,135 | 0.2% | \$ 1,133 | 26.2% | \$ 898 |
| Earnings per share | | | | | |
| Basic | \$ 5.77 | 5.7% | \$ 5.46 | 27.9% | \$ 4.27 |
| Diluted | \$ 5.60 | 4.5% | \$ 5.36 | 27.9% | \$ 4.19 |
| Average shares outstanding (in millions) | | | | | |
| Basic | 196.6 | (5.3%) | 207.5 | (1.2%) | 210.1 |
| Diluted | 202.8 | (4.1%) | 211.5 | (1.4%) | 214.4 |
| Return on average common equity | 14.1% | (0.7%) | 14.2% | 26.8% | 11.2% |
| Net cash flow provided by operating activities | \$ 2,560 | (25.8%) | \$ 3,448 | 134.9% | \$ 1,468 |
| UTILITY ELECTRIC OPERATING DATA | | | | | |
| Retail kilowatt-hour sales (in millions) | 102,013 | 5.5% | 96,663 | 1.6% | 95,153 |
| Peak demand (in megawatts) | 22,001 | 5.3% | 20,887 | (2.4%) | 21,391 |
| Retail customers – year end (in thousands) | 2,668 | 2.8% | 2,595 | (1.3%) | 2,629 |
| TOTAL EMPLOYEES – YEAR END | 14,322 | 3.7% | 13,814 | (2.3%) | |



TO OUR STAKEHOLDERS

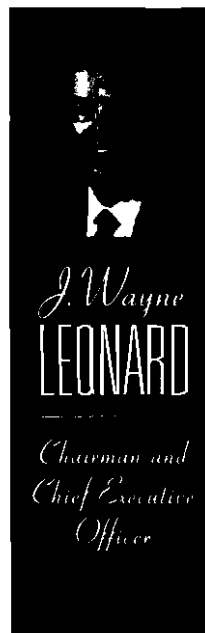
Are we having fun yet? To most people winning is fun. As they say, it beats losing.

From the theme of this year's report, you could properly conclude that we are having fun, and not because we have actually won anything. In part, we are having fun because we are "winning" on things that not only make a difference today, but also on things that set the foundation for the future of this company. We are winning in battles that we have been fighting for a long time; winning on things that matter to each of you, such as:

- Delivering the *highest total shareholder return* in our industry, 414.3 percent from Dec. 31, 1998 to Dec. 31, 2007 compared to 134.1 percent for the Philadelphia Utility Index over the same period. In 2007, we delivered total shareholder return of 32.5 percent, once again ranking in the top quartile of our peer group.
- Creating the *safest possible work environment* as evidenced by lowering our Lost Work Day Incident Rate to 0.22 in 2007, our best year ever, from 1.08 in 1998. While this is still short of our goal, an accident-free work environment, clearly we can see measurable progress every year.
- Keeping the *prices* our customers pay as low as practical. Our residential utility customers have essentially seen *no increase* in base rates for nine years. Average residential base rates in 1998 were 4.90 cents per kWh compared to 4.97 cents per kWh in 2007. When adjusted for inflation, our customers experienced a real decrease in base rates over the past nine-year period.
- Providing the *best possible service* when it matters most. Obviously, in 2005 with hurricanes Katrina and Rita we proved we could write the book on emergency response. But that was no surprise. We have received the Edison Electric Institute Emergency Storm Response Award or Emergency Assistance Award every year

for 10 consecutive years, the only company to be honored each year since the awards were created. For 2007, we received the EEI Emergency Assistance Award for the work of our dedicated employees in helping to restore power in Oklahoma following an ice storm.

- Investing in *people*. We have provided \$35 million in grants since we began our low-income customer assistance initiative in 1999, leveraging at least \$24.5 million in additional public and private funds to help low-income families and individuals throughout Arkansas, Louisiana, Massachusetts, Mississippi, New York, Texas and Vermont. In 2007, Entergy received the U.S. Chamber of Commerce Award for Community Service and in early 2008, we were recognized for a third time with the EEI Advocacy Excellence Award for our low-income initiative.
- Backing up our environmental concerns with actions. On climate change, we have articulated a clear vision for change and made a second *voluntary* commitment to stabilize our own carbon dioxide emissions at 20 percent below year 2000 levels from 2006 to 2010. In 2007, *for the sixth consecutive year*, we were the *only U.S. utility named to the Dow Jones Sustainability World Index* in recognition of our sustainability efforts.



We are proud of our track record of accomplishment. But we don't believe in declaring victory every time we have a good year. Nor do we believe in giving in because we're out-numbered in our point of view, or giving up because the path to success is unclear.

For example, for a number of years we have been frustrated in our aspiration of realizing the full value of our non-utility nuclear fleet. After considerable time and effort, we believe in 2007 we found the key to unlock the full value in a way that assures those

who share and have supported Entergy's point of view on nuclear or carbon are rewarded for their patience.

UNLOCKING VALUE - SEPARATION OF OUR NON-UTILITY NUCLEAR BUSINESS

In 2007, our Board of Directors approved plans to pursue the spin-off of Entergy's non-utility nuclear business to our shareholders and the formation of a nuclear services joint venture to be owned equally by Entergy and the spun-off entity, referred to as SpinCo.

While the operating results of the non-utility nuclear plants contribute substantially to Entergy's current share price, market capitalization and profitability, the full value of the business has not and is unlikely to be realized or recognized embedded in a regulated "utility". Over the last nine years, shareholders have put considerable capital at risk as we started and grew this business. While shareholders have seen substantial rewards, the proposed structure provides a very real opportunity for full value realization while maintaining the safety, security and operational excellence of our entire (utility and non-utility) nuclear fleet.

Following the spin, Entergy shareholders will hold two distinct equities – Entergy stock, comprised of the regulated utility business, referred to as Entergy Classic, and a 50 percent stake in the nuclear services joint venture, and stock in SpinCo, comprised of the non-utility nuclear plants, a power marketing operation, and the remaining 50 percent stake in the nuclear services joint venture. SpinCo will be uniquely positioned as the only pure-play, emission-free nuclear generating company in the United States, at a time when the states, the nation and the world move inevitably toward a less carbon-intensive future.

The option value of this transaction cannot be overstated. In the spin-off, shareholders will receive a highly liquid, publicly traded stock that we believe will be better recognized for its innate and scarcity value. Good corporate governance dictates that the decision to buy, hold or sell this uniquely positioned segment of our business and this industry be made available to individual shareholders to execute consistent with their individual points of view and risk appetite. This structure provides owners what we would consider a free option.

As part of the spin-off from the regulated utility, SpinCo will have the opportunity to maintain an efficient risk profile for its business, while aspiring to strong merchant credit relative to others in the sector. Conceptually, that means increased borrowing capacity and increased flexibility in the decisions on when or whether to enter into financial hedges for the plants' output. That is particularly valuable in an illiquid long-term market that has yet to

reflect the full value of carbon-free energy. Robust cash projections, with line of sight at \$2 billion 2012 earnings before interest, income taxes, depreciation and amortization, support assuming more financial risk or accepting greater volatility in return for greater cash flows than is practical as part of the "utility". Specifically, SpinCo expects to execute roughly \$4.5 billion of debt financing, subject to market terms and conditions – a stark contrast to when we started this business and it had to be all internally financed with shareholder money, limiting our dividend payout and other potential investments.

VALUE TRILOGY

We are pursuing plans to spin off our non-utility nuclear assets to our shareholders and form a nuclear services joint venture, owned equally by Entergy and SpinCo.

The nuclear services joint venture retains the talented, experienced nuclear operations team that currently operates our non-utility nuclear assets and Nebraska Public Power District's Cooper Nuclear Station, reflecting Entergy's commitment to maintaining safety, security and operational excellence. As a premier nuclear operator, the joint venture will have broad experience operating boiling and pressurized water reactor technologies, enabling it to grow through offerings of nuclear services to third parties, including plant operations, decommissioning and relicensing.

As part of the spin-off, Entergy Corporation expects to receive \$4 billion, \$1.5 billion of which is targeted to reduce debt. The remaining \$2.5 billion is targeted for a share repurchase program, \$0.5 billion of which has already been authorized by the Entergy Board of Directors, with the balance to be authorized and to commence following completion of the spin-off. Post-spin, Entergy Classic's dividend payout ratio aspiration ranges from 70 to 75 percent.

Post-spin, primary focus from Entergy's leadership team will be on the utility business, enabling continued value creation and growth. We will pursue strategies that benefit our customers through greater energy efficiency, including new, more efficient generating technologies, better price signals and more effective usage of our product. Entergy Classic offers a unique utility investment

CORPORATE

We ranked number one in total shareholder return over the nine-year period from December 31, 2008 to December 31, 2007.

opportunity with a unique base rate path and earnings per share growth prospect. The utilities' investment opportunities to reduce fuel cost and volatility are substantial relative to their own balance sheet. In that regard, we will not take on more than we can handle. Innovative financing with structures allowing for third-party investment or financing in specific projects (e.g., nuclear) will be extensively evaluated and implemented if it contributes to maintaining a strong credit rating, lowering customers' bills or protecting shareholder value. Through this transformation, Entergy Classic aspires to a "real" decrease in customer rates, with a base rate path less than projected inflation, while simultaneously growing earnings per share six to eight percent through 2012, creating value for all stakeholders.

It is rare to uncover an opportunity with the potential to deliver substantial value to all stakeholders. Moreover, as an Entergy shareholder, we clearly expect that you will be advantaged by both the value of SpinCo and the enhanced value of Entergy Classic. We will continue to take the necessary actions, including seeking requisite regulatory approvals, in order to complete the transaction around the end of the third quarter of 2008.

UTILITIES

We are pursuing an portfolio transformation strategy to meet demand, diversify our fleet and create opportunities to lower costs for our customers.

UNLOCKING VALUE THROUGH OPERATIONS - OUR 2007 RESULTS

Even as we continue to evaluate opportunities to realize the value inherent in our existing assets, our 14,300 employees remain focused on creating value through industry-leading performance in our ongoing operations. As a result of their efforts, Entergy delivered total shareholder return of 32.5 percent in 2007, placing us once again in the top quartile of our peer companies.

We achieved our *\$1 per share operational earnings growth* aspiration and did so in a challenging economic climate. Entergy's operational earnings were \$5.76 per share, up 22 percent from \$4.72 per share in 2006. As-reported earnings were \$5.60 per share, up 4.5 percent from \$5.36 per share in 2006. We initiated a new \$1.5 billion stock repurchase program in 2007, and returned nearly \$1 billion of cash to our owners through that program, doubling our repurchase aspiration of \$500 million. In addition, our Board of Directors increased the dividend for the first time since the last increase in 2004, consistent with our aspiration to achieve a 60 percent target payout ratio. And our operational return on invested capital increased, moving towards our 10 percent financial aspiration. These financial accomplishments were realized without sacrificing our solid credit metrics. We never lose sight of our point of view that a strong balance sheet is a fundamental component of long-term financial success.

A more detailed description of the performance of our Corporation, Utility and Nuclear Businesses – as well as our point of view on a carbon policy to address the climate change issue – can be found later in this report. Highlights include:

IN OUR UTILITY BUSINESS, we made solid progress in executing our portfolio transformation strategy in 2007 – announcing the acquisitions of the 789-megawatt Ouachita Power Facility in northern Louisiana and the 322-megawatt Calcasieu Generating Facility in southwestern Louisiana and receiving regulatory approval to proceed with the Little Gypsy Unit 3 repowering project. We continue to pursue buy, build and contract power purchase options through our portfolio transformation initiative in order to procure the right generating technologies for our customers in the most efficient manner possible. In addition, we're preserving our option to invest in the next, simpler, more efficient generation of nuclear plants, with potential new nuclear development at our Grand Gulf Nuclear Station and River Bend Station.

We essentially reached closure on the regulatory recovery process for the unprecedented devastation of the 2005 storm season. In May, Entergy New Orleans emerged from bankruptcy,

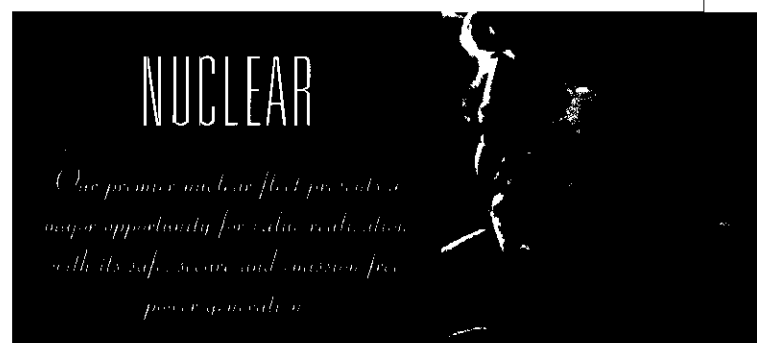
following approval of a \$200 million Community Development Block Grant from the Louisiana Recovery Authority and after reaching a regulatory recovery agreement with the New Orleans City Council. In August, we received the final regulatory approval for Entergy Louisiana and Entergy Gulf States Louisiana from the Louisiana Public Service Commission for recovery of roughly \$1 billion, representing the balance of storm restoration costs and the establishment of storm reserves. Securitization – a new, improved mechanism for cost recovery that results in lower overall bills to our customers – was also approved by the LPSC, consistent with actions taken in Mississippi and Texas, and final securitization proceeds are expected in 2008. In other utility matters, the long-studied jurisdictional separation became a reality at the end of 2007, when Entergy Gulf States, Inc. separated into two vertically integrated utilities – Entergy Gulf States Louisiana, L.L.C. and Entergy Texas, Inc.

IN OUR NUCLEAR BUSINESS, we closed on our acquisition of the 798-megawatt Palisades Nuclear Plant in Michigan. We also completed the implementation of our fleet alignment initiative for our utility and non-utility nuclear teams – with goals to eliminate redundancies, capture economies of scale and clearly establish organizational governance. Our first priority in our nuclear operations is safety and security. Only then do we pursue productivity improvements and cost efficiencies. When operational issues surface, we focus on resolving the issue at hand in the most appropriate manner and that may include temporarily suspending operations at a plant. While the forced outage levels we experienced in 2007 are not the performance we expect from our fleet, as good nuclear operators we take the opportunity to review our programs and procedures to ensure we adjust and perform up to our high standards going forward.

At the same time, it should be acknowledged not all forced outages are the same. Some were the result of events *outside* the plant itself, like the extended transformer-related outage at Indian Point 3. While there was some opportunity to mitigate the financial effect of this outage by starting the unit earlier using the other transformer at the plant and running at a lower capacity factor, we did not do that. It is simply not consistent with the Entergy Nuclear standards for safety, redundancy, reliability and risk management.

We continued our license renewal efforts and reached several key milestones. The Nuclear Regulatory Commission issued its final environmental impact statements for Vermont Yankee Nuclear Power Station, Pilgrim Nuclear Station, and most recently in January for the James A. FitzPatrick Nuclear Power Plant, finding

no environmental impacts that would preclude license renewal at these sites. All three sites are on track to receive renewed licenses during 2008. Also in 2007, the NRC accepted the license renewal application for the Indian Point Energy Center. While there has been significant public rhetoric surrounding the safety or need for Indian Point, we are confident the NRC license renewal process provides a fair hearing of any legitimate issues and concerns raised by the public and interested parties. We are confident Indian Point exceeds all the parameters for license renewal. Simply put, Indian Point is safe, secure and vital to the community interests.



AS A CORPORATION, we continued our unwavering commitment to sustainable development. We believe action must be taken to first stabilize and then reduce emissions of greenhouse gases. For this reason, we made a second voluntary commitment to stabilize our CO₂ emissions at 20 percent below year 2000 levels from 2006 to 2010 even as we continue to grow our electric production. Our cumulative CO₂ emissions for 2006 and 2007 were 79.0 tons, 7.2 percent better than our stabilization goal of 85.1 tons. Our belief in the realities of climate change and the principles that should guide us as a society as we develop a carbon policy are detailed later in this report.

I am proud of what we accomplished in 2007. I'm particularly proud to be part of a Board of Directors that over the last nine years has been faced with some of the hardest decisions Boards ever encounter. Without exception, they have never wavered from their obligations and commitments. The decision to pursue a spin-off of the non-utility nuclear business is evidence of this. It is one thing for companies to spin off businesses that are "losing" the war. It is another to spin off a winning, but relatively small segment, particularly under shareholder pressure. It is quite another, under no external pressures, to spin off the most profitable, highest growth business with potentially a bigger market capitalization than the remaining business. This was a hard decision, not because

the Board wasn't focused on doing the right thing, but because they were focused on absolutely assuring we get it right and not leave any money on the table in the transaction.

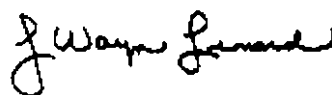
CLIMATE CHANGE

We believe now is the time to implement a smart carbon policy using common-sense principles in order to stabilize harmful emissions of greenhouse gases.

For another example, I would remind you Entergy did not jump in front of the parade after climate change became "fashionable" or after stakeholder pressures were applied. More than six years ago, the Board directed the company to begin reducing emissions, not just talk about it. They have established principles for the climate change debate consistent with the economic realities and our company's values. For example, we are a large independent power generator, but our principles for climate change do not promote free emission allowances under a cap-and-trade program to power generators. We believe any free allowances should go only to the end-use customers. We also believe the bulk of research and development money should go to research for the retrofit of existing coal plants even though almost all of our generating plants are nuclear- and natural gas-fueled. And even given the fact that we have been voluntarily reducing our own emissions for years, we are not prepared to support any mandatory plan for everyone else, who have done little or nothing, that does not consider the potential devastating financial effects on the poor and middle class. We recognize that it could be argued our principles are flawed. The company would be better off supporting free allowances for all generators based on output or not supporting research to "save" the existing competing coal plants. But that's why they call them principles. You can read more about the facts supporting our principles later in the report.

I started by asking "Are we having fun yet?" Admittedly, it wasn't much "fun" seven years ago to answer questions on why we were spending money to voluntarily reduce greenhouse gases before it was mainstream to even acknowledge climate change was real. It wasn't much fun to hear the chuckles when we were buying nuclear plants when the conventional wisdom was they were a liability. It wasn't much fun when the combination of hurricanes Katrina and Rita wiped out 120,000 square miles of our system, including our corporate headquarters, putting hundreds of employees out of a place to work or live, and thousands on the road day and night in the recovery effort. And we didn't have answers to employee questions like, "When will we have a day off to check on our home?" or "Will the company ever be able to return to our home city - New Orleans?" It wasn't much fun when, despite our best efforts, our goal of zero accidents was too distant to see. And it wasn't much fun when the stock price of the company remained in the \$20s as it had for decades.

Now, it is fun to see the results of years of effort and executing on a solid point of view. But despite the skepticism of others or our own frustrations at the slow progress in some areas over the years, we have always had fun. It's fun because we love what we do, and believe in the long run, doing it well while doing the right thing makes a difference. A difference for owners, for employees and their families, for our communities and for future generations.



J. WAYNE LEONARD

Chairman and Chief Executive Officer

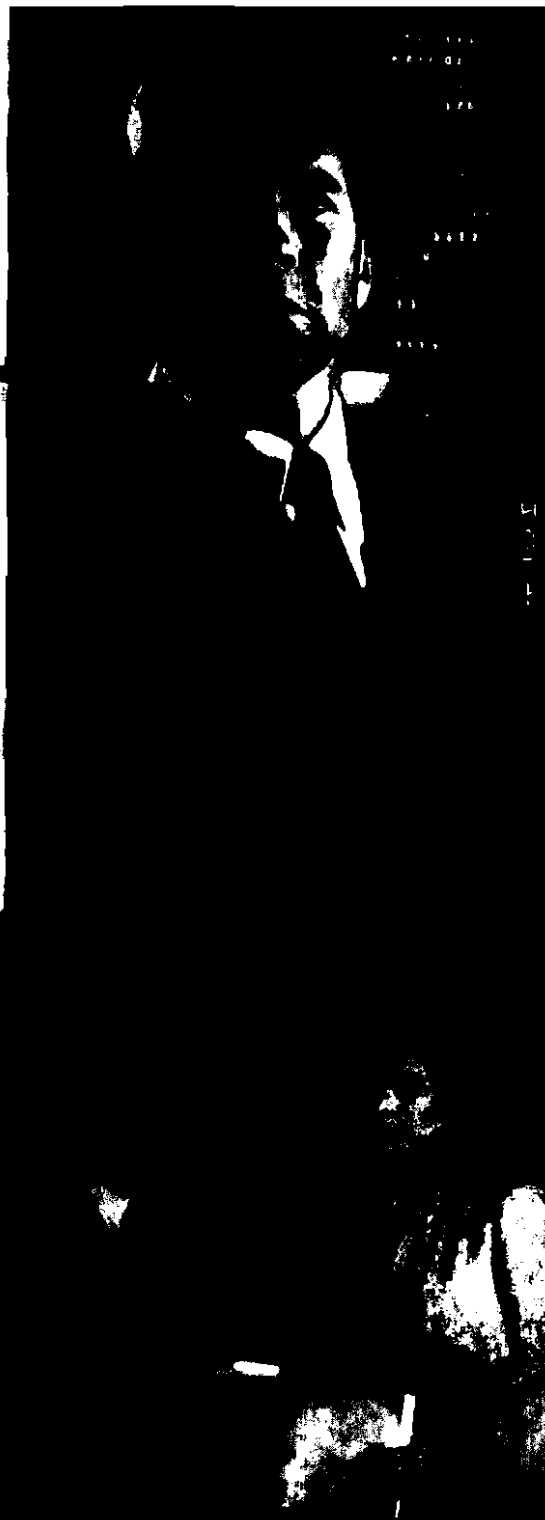
Progress Against Our **ASPIRATIONS**

In our 2006 annual report we presented our five-year aspirations for 2006 through 2010. We are pleased to report excellent progress against our aspirations in 2007. A summary of how we performed against key measures in each aspiration is detailed below.

| ASPIRATIONS | PROGRESS IN 2007 |
|--|---|
| We aspire to continually deliver top-quartile total shareholder returns. | We delivered top-quartile shareholder returns again last year. In 2007, we also developed and announced plans to pursue a spin-off of our non-utility nuclear assets, a significant opportunity for value realization for all our stakeholders. |
| We aspire to provide clean, reliable and affordable power in our utility business. | <p>We have held average residential base rates essentially flat since 1998. Our reliability performance continued to improve. We received 70 regulatory outage complaints in 2007, down from 81 in 2006 and 535 in 1998. Outage duration and outage frequency also improved in 2007.</p> <p>We made a second voluntary commitment to stabilize Entergy's CO₂ emissions at 20 percent below year 2000 levels from 2006 to 2010. We more than met our stabilization goal in 2006 and 2007.</p> |
| We aspire to operate safe, secure and vital nuclear resources in an environment that is both growing and carbon-constrained. | Our nuclear fleet delivered solid operational results in 2007, but there are opportunities for improvement. As good nuclear operators, we review our programs and procedures and seek input from industry experts. We will make the adjustments needed to perform in the future at levels consistent with our high standards. |
| We aspire to break the cycle of poverty and contribute to a society that is healthy, educated and productive. | In 2007, we raised more than \$2.4 million in bill payment assistance funds for our customers. We also continued our advocacy efforts to increase funding for the federal Low Income Home Energy Assistance Program and achieve more equitable distribution of those funds to the states we serve through our utilities. |

NEVER SEEN BEFORE

THE
CASE
OF THE
ASTONISHING
RETURNS



1998 TO 2007
Ninth Anniversary Edition
THE ORIGINAL CUT OF THE VALUE DETECTIVE'S GREATEST ADVENTURE



Entergy Corporation

THE SEARCH FOR VALUE CONTINUES

As a corporation, Entergy seeks to unlock value by striving to continually deliver top-quartile total shareholder returns, create an accident-free workplace, be the cleanest power generator in America and contribute to a society that is healthy, productive and educated. Our aspiration to consistently deliver value to multiple stakeholders is in keeping with our strong belief in sustainable development. We made excellent progress in our sustainability efforts and we were gratified to have our efforts recognized again in 2007.

- We delivered top-quartile total shareholder return in 2007 and we were number one in total shareholder return over the nine-year period ending Dec. 31, 2007.
- The Dow Jones Sustainability Indexes named Entergy Corporation to the exclusive Dow Jones Sustainability World Index for an unprecedented sixth consecutive year. Entergy was the only U.S. utility selected for the world index and one of only 16 utilities chosen worldwide. Our organization ranked best in class for occupational safety, environmental policy and environmental management, stakeholder engagement, climate strategy and talent attraction and retention.
- We were selected as part of the prominent Climate Disclosure Leadership Index for the fourth consecutive time. Candidates for the index are assessed relative to their peers and judged based on which companies have the most comprehensive climate change disclosure practices.
- Entergy was named one of the 10 Best Corporate Citizens in 2007 by *Corporate Responsibility Officer* magazine. For the utility industry, Entergy ranked number one out of 88 North American companies evaluated and scored in the top quartile in seven of the eight categories evaluated, including human rights, corporate governance, environment, climate change, philanthropy, financial and employee relations.
- Institutional Shareholder Services rated Entergy as the top utility for corporate governance and indicated that we outperformed 99.8 percent of companies in the S&P 500.
- We were also recognized as one of "America's Most Trustworthy Companies" by *Forbes* magazine for accounting transparency and fair dealings with stakeholders. We were the only utility to make the list, which was drawn from 8,000 public companies.

At Entergy, we conduct our business in accordance with the principles of sustainable development. Our ongoing quest to seek value in our businesses, employees, customers, communities and

environment is how we generate sustainable growth. We contend that it is not only possible to be a leader in financial, operational and societal performance; it is our responsibility to do so.

Below are highlights of our corporate sustainability efforts for 2007 in the areas of shareholder returns, safety, environmental performance and our low-income initiative.

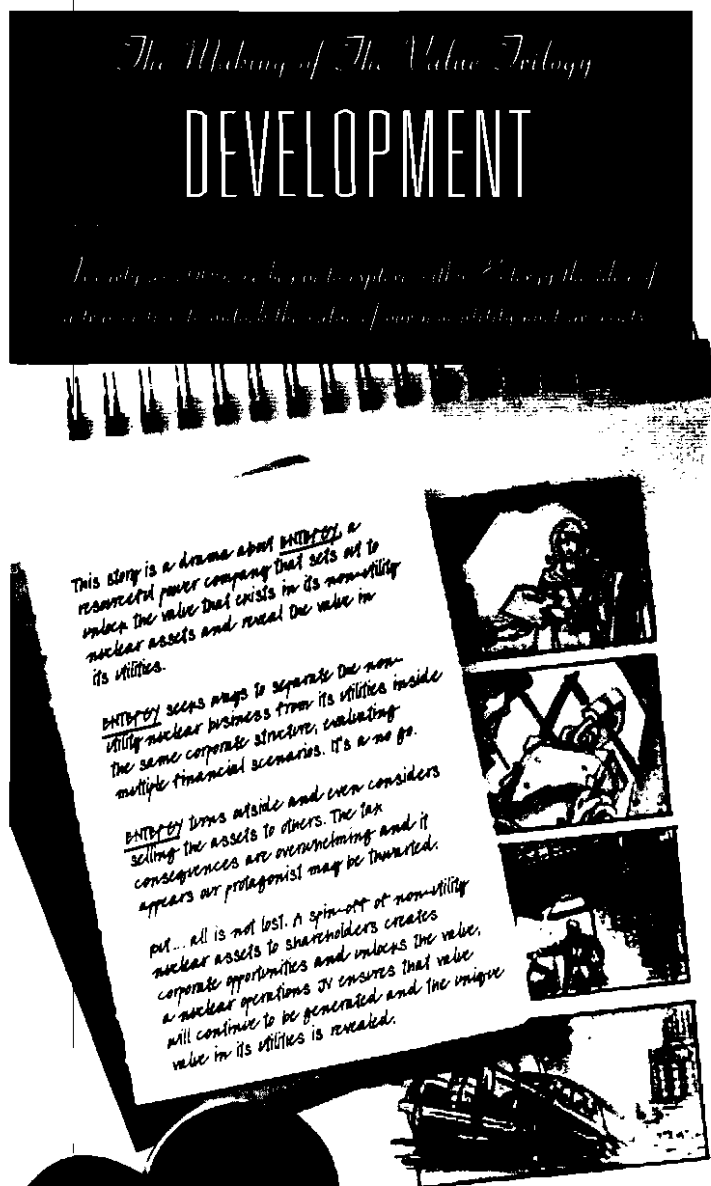
TOP-QUARTILE SHAREHOLDER RETURNS

In 2007, we once again delivered top-quartile returns for our shareholders. Our total shareholder return for the year was 32.5 percent compared to 19.0 percent for the Philadelphia Utility Index. Over the past nine years, since a new leadership team was put in place, Entergy has delivered the highest total shareholder return in its peer group. From Dec. 31, 1998 to Dec. 31, 2007, total shareholder return was 414.3 percent for Entergy investors. That compares to a 134.1 percent total return for the Philadelphia Utility Index.

In 2007, we took several steps to position ourselves to continue to deliver exceptional returns. Our Board of Directors increased the quarterly dividend in July, long overdue since the last increase in 2004, and consistent with our aspiration to achieve a 60 percent target payout ratio. Following the spin-off, Entergy Classic will aspire to a 70 to 75 percent dividend payout ratio. Also in 2007, we initiated a new \$1.5 billion stock repurchase program and returned nearly \$1 billion of cash to our owners through this program, doubling our repurchase aspiration of \$500 million. As a corporation, we are committed to returning the value inherent in our operations to our shareholders. Dividends and share repurchases are important vehicles for doing just that.

Our plan to pursue a proposed spin-off of the non-utility nuclear assets to our shareholders is another vehicle to unlock value. Following the spin, Entergy shareholders will hold two distinct equities – Entergy stock comprised of the regulated utility business and SpinCo stock comprised of the non-utility nuclear plants and a power marketing operation. Entergy Classic and SpinCo will each own a 50 percent stake in the nuclear services joint venture. We believe having an option to trade these two equities independently will be highly valuable to our shareholders and the Entergy leadership team is committed to delivering that value in 2008 through the separation of the two businesses.

"We aspire to consistently deliver value in keeping



AN ACCIDENT-FREE WORKPLACE

The safety and well being of our employees comes before all other aspirations at Entergy. We aspire to an accident-free workplace. At every work location including generating facilities, offices, transmission and distribution networks, Entergy companies' employees and contractors are focused on building the behaviors, systems and culture that we need to achieve zero accidents. In 2007, our Lost Work Day Incident Rate, which measures the annual lost work day cases per 100 employees, was 0.22 compared to 0.25 in 2006. In fact, 2007 was the safest year ever for our employees. However, we suffered a major setback in November 2007 – the fatality of a contractor working for the Entergy New Orleans gas business. We are reminded again that in the area of safety, improvement is inadequate. We must continue to strive for perfection – no lost-time accidents. Anything else is simply not enough.

THE CLEANEST POWER GENERATOR IN AMERICA

We strive to be the cleanest power generator in America – one that voluntarily adheres to greenhouse gas emission levels and conserves natural resources in as many ways as possible. We are the second-cleanest utility generator among the top 10 U.S. generators, due largely to our portfolio of clean nuclear and natural gas generation resources. We continued to build our clean portfolio in 2007, with the closing of our purchase of the Palisades Nuclear Plant and the announced acquisition of two gas-fired generation facilities, Calcasieu Generating Facility and Ouachita Power Facility, both in Louisiana.

We more than met our goal for 2006 and 2007 under our second voluntary commitment to stabilize CO₂ emissions from 2006 to 2010 at 20 percent below year 2000 levels. We achieved these results through internal projects reducing emissions from our facilities and through external projects. For example, we are working with Nike, Inc., the Environmental Resources Trust and other concerned citizens to form a Solar Reinvestment Fund to help revitalize New Orleans with newly constructed, solar-powered schools and homes. With its use of solar energy, the initiative will reduce CO₂ emissions while helping New Orleans recover from the devastation of Hurricane Katrina. Entergy also purchased emission reduction credits totaling 100,000 metric tons from Nike. The credits were verified and registered by the Environmental Resources Trust as a result of Nike exceeding its carbon footprint goals with the World Wildlife Fund's Climate Savers program.

Our efforts to limit greenhouse gas emissions earned Entergy a 2007 Climate Protection Award from the U.S. Environmental Protection Agency. We were the only utility company among the 17 award winners who were honored for showing ingenuity, leadership and public purpose by improving their environmental performance and encouraging others to do the same.

Finally, we continued our environmental efforts focused on coastal restoration, recycling, community improvement and energy efficiency. To that end, we have a partnership with Keep America Beautiful, Inc. to

with our belief in sustainable development.”

expand our focus on environmental stewardship. Through grants and employee volunteerism in 2007, Entergy helped local Keep America Beautiful affiliates in their efforts to build strong, healthy communities and a better environment.

A SOCIETY THAT IS HEALTHY, PRODUCTIVE AND EDUCATED

Approximately 25 percent of our 2.7 million utility customers fall below the poverty level. We created our low-income customer assistance initiative in 1999 to address this stark reality. Entergy's commitment to the fight against poverty takes many forms – from funding for education, job training and programs that help low-income families build assets to partnering with the Internal Revenue Service to educate customers about benefits such as the earned income tax credit. Since launching its low-income customer assistance initiative, Entergy has committed \$35 million to funding programs that help families escape poverty and achieve economic self-sufficiency.

We continued our work on behalf of our low-income customers in 2007. Entergy along with its employees and customers raised more than \$2.4 million in local bill payment assistance funds. One hundred percent of the funds raised go to local customers who need help to pay their utility bills. Last year, almost 90,000 customer bills were paid by third-party sources such as our bill payment assistance funds as well as state and federal programs.

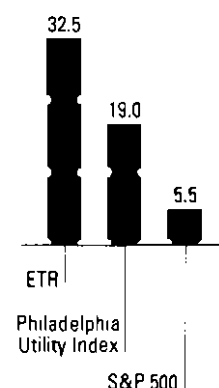
Federal utility bill payment assistance programs only reach about 15 percent of households in need. To increase the reach of federal programs, Entergy employees and activists from its service areas traveled to Washington, D.C. in February 2007 to meet with members of Congress and urge their support for increased funding for the Low Income Home Energy Assistance Program. As a result of their efforts and the efforts of advocates for the poor and elderly, 2007 LIHEAP funding was more than \$102.7 million for Arkansas, Louisiana, Mississippi and Texas.

Our efforts on behalf of our low-income customers were recognized again in 2007. We were honored to receive the Edison Electric Institute Advocacy Excellence Award for the third year. The U.S. Chamber of Commerce Business Civic Leadership Center also recognized Entergy in 2007 for its low-income initiative with its Corporate Citizenship Award in the category of U.S. Community Service.

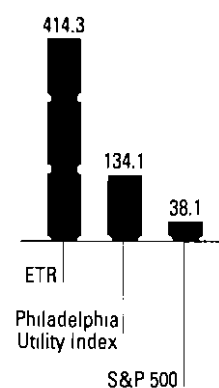
RELEASING VALUE WHEREVER IT EXISTS

Providing employees the opportunity to reach their full potential in a safe and secure work environment. Creating partnerships that enable communities to thrive in a healthy, clean environment. Giving people in need of assistance a chance to break the cycle of poverty and build productive lives. Value exists all around us – in our businesses, employees and communities – and at Entergy, we are committed to doing what it takes to create and unlock that value wherever we find it. Our corporate efforts in the areas of safety, the environment and our low-income customer assistance initiative deliver benefits for all our stakeholders. While the link is less direct, we are confident that our efforts in these areas contribute to our proven ability to meet our overarching aspiration of continually delivering top-quartile total shareholder returns.

Total Shareholder Return
2007, %



Total Shareholder Return
12/31/1998 – 12/31/2007, %



We aspire to continually deliver top-quartile shareholder return. We ranked in the top quartile of our peer companies again in 2007 and we were number one in total shareholder return over the nine-year period ending Dec. 31, 2007.

SHOCKING! UNBELIEVABLE!

VALUE REVEALED!

*Smart and Savvy, together they're going to change how you think
about Entergy's Utilities.*

Featuring **PORTFOLIO TRANSFORMATION STRATEGY** Starring **EXCELLENT CUSTOMER SERVICE**
Directed by **UTILITY LEADERSHIP TEAM** Original Musical Score by **REGULATORY STAKEHOLDERS**



Entergy Utilities

TRANSFORMING OUR PORTFOLIO TO BENEFIT CUSTOMERS

Our utilities unlock value by constantly finding better ways to provide clean, reliable and affordable power to our customers. In 2007, value came from a number of sources.

PERFORMANCE IN SERVICE TO OUR CUSTOMERS

Reliable power is a top priority for our customers and that makes it a top priority for Entergy's utilities. In 2007, outage frequency as measured by total customer interruptions per customers served improved to 1.79 from 1.83 in 2006. Outage duration as measured by total minutes of customer interruptions per customers served improved to 184 in 2007 from 189 in 2006. We also continued to hold the line on base rate increases for our customers, making our power reliable and affordable. On an inflation-adjusted basis, we delivered a real base rate decrease to our residential customers over the past nine years.

For 2007, we won the Edison Electric Institute Emergency Assistance Award for the assistance we provided in restoring power following an ice storm in Oklahoma. We have won either EEI's Emergency Storm Response Award or Emergency Assistance Award for 10 consecutive years and we are the only company to be honored each year since the awards were created. Finally, our utility employees once again demonstrated their commitment to safety. In 2007, several utility sites earned Star status under the Occupational Safety and Health Administration's Voluntary Protection Program. Star status is the highest possible safety rating for an industrial work site.

CLOSURE OF STORM RECOVERY ISSUES

Two years after the biggest natural disaster to ever befall our company and our communities, we achieved resolution on all regulatory recovery issues related to the 2005 storm season. Perhaps the most significant milestone was the emergence of Entergy New Orleans from bankruptcy in May 2007, following approval of a \$200 million Community Development Block Grant from the Louisiana Recovery Authority and after reaching a regulatory recovery agreement with the New Orleans City Council. Under its approved reorganization plan, all creditors were fully compensated and there were no changes to Entergy New Orleans' workforce of approximately 400 employees. Work still continues, however, on the rebuild of Entergy New Orleans' gas distribution system, a massive project that Entergy New Orleans is striving to complete over an extended period with minimum disruption to our customers and community.

In third quarter 2007, the Louisiana Public Service Commission approved storm recovery for Entergy Louisiana and Entergy Gulf

States Louisiana, wrapping up regulatory recovery approvals for the 2005 storms. Entergy Louisiana will recover \$545 million for the balance of unrecovered storm restoration costs and Entergy Gulf States Louisiana will recover \$187 million. The approved plan also includes recovery of storm reserves totaling \$239 million to offset the impact of future restoration efforts from storm events. Finally, securitization of storm-related costs was approved, consistent with similar actions taken in Mississippi and Texas. Securitization is a new, improved vehicle for regulatory recovery that will result in lower overall costs to customers.

CONSTRUCTIVE REGULATORY PROCESS

In 2007, we realized constructive regulatory outcomes and participated in constructive processes. We continue to believe Formula Rate Plans are a good tool for setting appropriate rates in a timely manner. Formula Rate Plans are currently in place for Entergy Mississippi, Entergy Louisiana and Entergy Gulf States Louisiana.

In third quarter 2007, Entergy Texas initiated a base rate case. Base rates have not been increased in over 16 years, and Entergy Texas is seeking rates that align with its cost of doing business. Since rates were frozen in 1999, Entergy Texas has never earned its authorized return on equity on its approximate \$1.8 billion rate base. If approved, new rates could go into effect in September 2008.

In October 2007, the Public Utility Commission of Texas acted on Entergy Texas' submitted plan to connect its Texas utility with the Electric Reliability Council of Texas, the primary Texas power grid. Commissioners determined that more information was needed to select the appropriate qualified power region for Entergy Texas and abated the proceeding pending further study. Southwest Power Pool, a regional grid entity serving parts of Louisiana, Texas, Arkansas, Mississippi, Oklahoma, Kansas, Missouri and New Mexico, is conducting a study to determine the costs/benefits of including Entergy Texas in its region. Likewise, Entergy Texas will study further the costs/benefits of remaining in the Southeastern Electric Reliability Council. Entergy Texas continues to believe that ERCOT is the best and only viable path forward consistent with the legislative objective to offer competition to consumers.

In other Entergy Gulf States' matters, the long-studied jurisdictional separation became a reality at the end of 2007, when the company separated into two vertically integrated utilities – Entergy Gulf States Louisiana, L.L.C. and Entergy Texas, Inc. For the first time, the newly established companies can develop and implement separate business

"Our utilities unlock value by finding better ways to provide



plans that are in the best interests of their respective customers and aligned with the public policy direction in their respective jurisdictions, including resource planning.

In another positive development, in December 2007, Entergy New Orleans announced a voluntary plan to return \$10.6 million to its customers in 2008 through a 6.15 percent base rate credit on electric bills. With New Orleans repopulation taking place faster than forecasted, Entergy New Orleans is in the fortunate position of being able to offer rate relief at a critical time in the city's recovery. The recovery credit recognizes the timely and decisive support provided by the New Orleans City Council and the community.

While regulatory proceedings in 2007 were constructive overall, we were disappointed by certain actions taken by state regulators that create challenges for our utility operations. In June, Entergy's utility operating companies implemented FERC's remedy for the System Agreement litigation, establishing parameters for rough production cost equalization. The \$252 million payment required for Entergy Arkansas created regulatory challenges in Arkansas.

In its ruling on the Entergy Arkansas rate case, among other actions, the Arkansas Public Service Commission ordered a 9.9 percent return on equity, a decrease from the previous allowed return of 11 percent, implementation of an annual earnings review process to be developed, sunset of System Agreement production cost allocation and fuel recovery riders at the end of 2008 unless certain conditions were met, and the APSC imposed a hypothetical capital structure on the company. Entergy Arkansas' petition for rehearing was denied by the APSC in August 2007. In January 2008, Entergy Arkansas filed briefs in its judicial appeal with the Arkansas State Court of Appeals seeking a reversal of the APSC's rate case decision on 16 issues. Entergy Arkansas expects a ruling later this year.

In December, the APSC subsequently issued a consolidated order addressing several issues. Citing a lack of consensus among parties, the APSC decided against implementing an annual earnings review process, finding that moving forward would be detrimental to the public interest. Upon elimination of this process, the APSC ruled that going forward, Entergy Arkansas may petition for extraordinary storm damage financial relief, as it has done in the past. Further, the APSC replaced the automatic sunset provisions currently in effect with a provision calling for an 18-month advance notice to Entergy Arkansas of any potential future termination which could occur only following due process. Finally, the APSC approved Entergy Arkansas' proposed recovery mechanism for capacity payments through a separate rider from the interim tolling agreement of the Ouachita Power Plant that Entergy Arkansas has proposed to purchase. Some parties requested rehearing on these decisions, which were denied by the APSC. Entergy Arkansas is encouraged by these actions as they indicate a willingness to fairly balance the interests of customers and shareholders.

Despite the ongoing litigation, Entergy's utility operating companies still see merit in a systemwide pooling concept. Accordingly, they will continue to evaluate a replacement agreement, one that balances the need to achieve economies and efficiencies for their utility customers, while eliminating the disputes and litigation that have characterized the period since the current

clean, reliable and affordable power to our customers.

System Agreement was adopted more than 20 years ago. Entergy Arkansas and Entergy Mississippi both issued withdrawal notices. In light of that, the LPSC recently unanimously voted to direct its staff to evaluate the potential for a new agreement. Likewise, the New Orleans City Council opened a docket to gather information on progress towards a successor agreement.

ONGOING IMPLEMENTATION OF OUR PORTFOLIO TRANSFORMATION STRATEGY

We took several steps in 2007 to execute our portfolio transformation strategy. The LPSC demonstrated progressive leadership and constructive regulatory policy on several initiatives. At its November meeting, the LPSC unanimously approved Entergy Louisiana's request to repower the 538-megawatt Little Gypsy Unit 3 gas-fired facility, well in advance of the June 2008 approval initially requested. This project is a much needed solid-fuel baseload resource that can reduce customers' dependence on natural gas, a significant issue for Louisiana customers' bills.

The LPSC also unanimously approved the uncontested settlement for the acquisition by Entergy Gulf States Louisiana of the 322-megawatt Calcasieu Generating Facility in southwestern Louisiana. In a third action, the LPSC granted approval to recover costs associated with the Ouachita interim tolling agreement, preserving Entergy Gulf States Louisiana's opportunity to purchase a portion of the plant output on a long-term basis. In July, Entergy Arkansas reached agreement to acquire the 789-megawatt combined-cycle Ouachita Power Facility in northern Louisiana. Pursuant to a separate agreement, Entergy Arkansas will sell one-third of the plant output to Entergy Gulf States Louisiana.

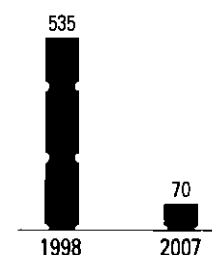
Finally, to preserve the nuclear option for its customers, the utilities continued to pursue the potential of new nuclear development at the Grand Gulf Nuclear Station and River Bend Station. In 2007, the utilities continued with licensing and design activities at both sites and plans include filing for Construction and Operating Licenses in 2008.

VALUE REVEALED: THE FUTURE OF ENTERGY UTILITIES

Going forward, Entergy Utilities offer a unique investment opportunity with a unique base rate path and earnings per share growth prospect. Our utilities' generating capacity remains short, with customer demand exceeding capacity by two to four gigawatts. We are confident there is substantial value to be realized in the transformation of our generation portfolio with new and/or repowered sources. In addition, we believe that ownership and operation of a premier nuclear fleet is a key component of our utilities' clean generation portfolio.

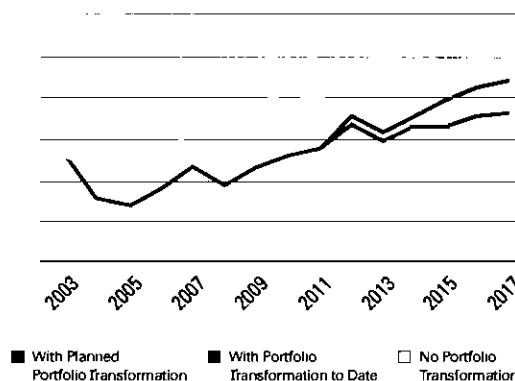
In support of its financial aspirations through 2012, Entergy's utilities aspire to deliver a "real" decrease in customer rates, with a base rate path less than projected inflation. This aspiration will be pursued through its portfolio transformation strategy and investment in a premier nuclear fleet, while simultaneously growing earnings per share at 3 to 4 percent. Earnings growth at this level will equal roughly half of Entergy Classic's annualized 6 to 8 percent earnings aspiration through 2012, the remainder of which is expected to come from the accretive effect of share repurchases. Going forward, we believe Entergy Utilities will continue to be well positioned to provide customers with clean, reliable and affordable power.

Regulatory Outage Complaints



We strive to continually improve customer satisfaction. Regulatory outage complaints are down 87 percent from 1998. Our performance on outage frequency and duration also improved significantly over that time period.

System Average Production Cost Trend of Transformed Portfolio (Illustrative) \$ per MWh*



* Including fuel and non-fuel costs and return of and on investment

With our planned portfolio transformation, we believe we can significantly lower our production costs from what they otherwise would have been, unlocking significant value for our utility stakeholders.

VALUE CAPTURED!

Released to the Custody of the Owners.



**FINALLY!
AFTER MANY
YEARS IN
PRODUCTION!**

*Safe. Secure. Emission-free.
Stunning value builds in the nuclear business.*

Featuring **PREMIER NUCLEAR FLEET**
Starring **EXCEPTIONAL NUCLEAR SERVICES TEAM** *Directed by* **NUCLEAR LEADERSHIP TEAM**



Entergy Nuclear

UNIQUE GENERATING ASSETS AND OPERATING EXPERTISE

Our non-utility nuclear business offers tremendous potential for value realization. The safe, secure, emission-free nature of nuclear power makes it a particularly attractive generation source in a carbon-constrained world.

Over the past nine years, Entergy acquired five nuclear sites and used its operational and risk management expertise to transform this underperforming portfolio into valuable, emission-free power-generating assets that are safe and secure. While the operating results of these assets have contributed substantially to profitability, the full value of the investment has not and is unlikely to be recognized or realized embedded in a "utility" corporation, which has different needs. We expect the non-utility nuclear spin-off to fully unlock this upside by creating the only pure-play, emission-free nuclear generating company in the United States as the states, the nation and the world move inexorably toward a less carbon intensive future. With four of these sites located in the capacity-constrained Northeast, the new company will have opportunity to capture and create even more value in the region with the highest average regional power prices in the United States both today and expected into the future.

Since Entergy acquired its first non-utility nuclear asset in 1999, the industry-leading performance of our nuclear team has delivered tremendous value to our customers and shareholders. There were several highlights to note in 2007.

A PREMIER NUCLEAR FLEET

In April, we closed the purchase of the 798-megawatt Palisades Nuclear Plant near South Haven, Mich., from Consumers Energy. As part of the purchase, Entergy will sell 100 percent of the plant's output back to Consumers Energy for 15 years at a price that retains the benefits of low-cost nuclear generation for Consumers Energy's 1.8 million customers.

With the addition of the Palisades Nuclear Plant, our nuclear fleet – both utility and non-utility – now includes 11 units located in the Northeast, Midwest and South. We also manage the operations of the Cooper Nuclear Station in Nebraska under a service agreement. We are strong believers in the value of nuclear power and continue to pursue opportunities to expand our fleet. We are moving forward systematically to preserve the option to build new nuclear units. In 2007, we received one of the first Early Site Permits in the country for a possible new nuclear unit at the Grand Gulf Nuclear Station. The Early Site Permit resolves many of the safety and environmental issues associated with new nuclear development and can be incorporated

with the Construction and Operating License applications. Entergy and NuStart, a consortium of 12 industry leaders including Entergy, submitted a combined Construction and Operating License application for Grand Gulf in February 2008. Entergy is currently preparing a second application for our River Bend Station which it anticipates filing sometime this year.

While we have not yet made a decision to build a nuclear unit, the Louisiana Public Service Commission approved new nuclear financing rules in 2007 that provide the structure and certainty at the state level that we would need to decide to proceed with new nuclear development at River Bend Station. The rules include a detailed review of plant costs, a preliminary "up or down" decision on the project and annual prudence reviews of all costs incurred. The rules would also smooth the rate effect on customers by having some cost recovery before the plant is completed, but only after a determination that construction of a new plant is in the public interest. Legislation is being considered in Mississippi enabling new baseload generation.

In 2007, we also made progress on license renewals for our Northeast fleet. The Nuclear Regulatory Commission issued its final environmental impact statements for Vermont Yankee Nuclear Power Station, Pilgrim Nuclear Station and most recently in January for the James A. FitzPatrick Nuclear Power Plant, finding no environmental impacts that would preclude the license renewal at these sites. All three sites are on track to receive renewed licenses during 2008. Also in 2007, the NRC accepted the license renewal application for Indian Point Energy Center. Extensive press coverage has raised the level of rhetoric as well as a number of questions regarding the license renewal process for Indian Point. We believe the NRC license renewal process is well established and provides for the hearing of legitimate issues and concerns raised by the public and interested parties. We are also engaged in substantial public outreach and education programs to enable license renewal for this vital source of emission-free power.

2007 NUCLEAR OPERATING PERFORMANCE

First and foremost, we continued to put safety and security first in the operation of our nuclear fleet, as we do in all our operations. All other activities are pursued only when we are confident that we are performing at the highest possible level from a safety perspective. In our nuclear fleet, six of our sites have earned Star Status from the Occupational Safety and Health Administration under their Voluntary Protection Program. That is the highest possible safety rating for an industrial work site.

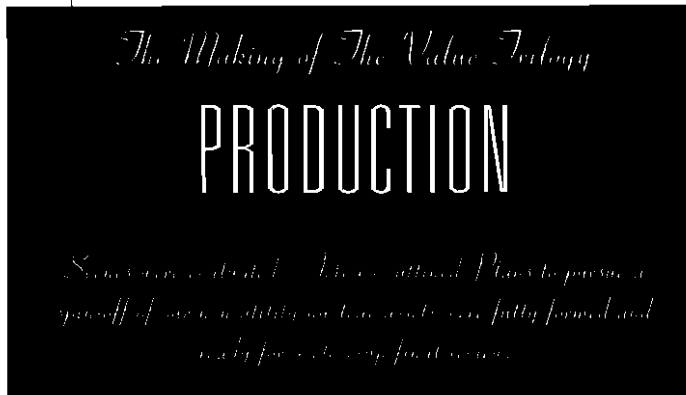
"Our nuclear business offers a significant

Operating highlights for 2007 include a 548-day breaker-to-breaker run at Vermont Yankee, which followed an uninterrupted breaker-to-breaker run at our Arkansas Nuclear One Unit 2 in 2006. We also completed the rollout of our fleet alignment initiative for our utility and non-utility nuclear teams – with goals to eliminate redundancies, capture economies of scale and clearly establish organizational governance.

While our 2007 operational results were solid, there are opportunities for improvement. The forced outages that we experienced in our non-utility nuclear operations in 2007 are not the performance we expect from our fleet. Capacity factors and production costs were both negatively impacted. Because safety and security come first in our operations, whenever we experience an issue, we focus on resolving the issue in the most appropriate manner, which may include temporarily suspending operations at a plant.

As good nuclear operators, we review our preventive maintenance programs, our refueling outage scope control, our refueling outage maintenance work performance, industry operating experience related to the equipment issues we experience, and our training programs as they relate to equipment issues. We also seek input from industry organizations such as the Institute of Nuclear Power Operations, Nuclear Energy Institute and Electric Power Research Institute so that we can make any necessary adjustments to enable performance consistent with our high standards going forward.

Throughout 2007, we also made progress in the implementation of a new siren system at Indian Point Energy Center. Indian Point is the first nuclear facility to implement a siren system under new, more stringent standards, which continued to change during the implementation process. We are taking very seriously the NRC deadlines to have the new, state-of-the-art siren system officially declared operational. We continue to work with FEMA and other stakeholders to ensure that the remaining issues will be resolved and the system approved by FEMA as quickly as possible, with an August in-service date target. In the interim, the original siren system also remains in place and continues to be fully operable and capable of providing the necessary public warning should any emergency occur.



- Block 1: ...
- Block 2: ...
- Block 3: Growing concerns over carbon emissions. Nuclear is emission free!
- Block 4: ENTERGY sees value increasing but not released to shareholders.
- Block 5: ENTERGY considers financial structures to release value.
- Block 6: ENTERGY estimates tax consequences and rejects outright sale.
- Block 7: ENTERGY considers spin-off.
- Block 8: Plans to pursue SPINCO and JV introduced.
- Block 9: Filings made with SEC, SBC, etc.
- Block 10: Approvals granted.
- Block 11: Spin-off transaction executed. Value unlocked!

opportunity for value realization.

OUR POWER MARKETING POINT OF VIEW

In 2007, we continued to execute an effective, risk-balanced forward contracting strategy. We pursue opportunities with natural buyers in the region who can commit for large blocks of power on a longer-term basis as well as other counterparties such as financial buyers. We also maintain dynamic points of view on key factors including commodity prices, the regulation of carbon emissions and regional infrastructure and capacity constraints. As a result, we can layer in hedges on an annual basis consistent with our dynamic points of view. Our strategy enables us to reserve up to 15 percent for spot market sales. At the end of 2007, 92 percent of our planned generation for 2008 was under contract, 83 percent for 2009 and 59 percent for 2010 at average energy prices per MWh of \$54, \$61 and \$58, respectively.

UNLOCKING THE VALUE: THE FUTURE OF SPINCO

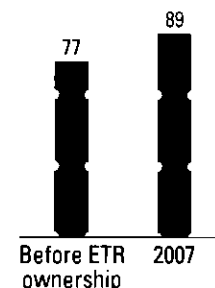
In 2008, we will pursue the regulatory approvals needed and take action to complete the separation of our non-utility nuclear business. We are confident this is the best approach to unlock the full value of these assets for our shareholders.

As an independent company, SpinCo will have the ability to pursue its optimal capital structure, including executing approximately \$4.5 billion in debt, subject to market terms and conditions. Our positive point of view on future power pricing trends supports our decision to separate our non-utility nuclear assets from our utility business. With an optimal capital structure and a risk profile consistent with a merchant business rather than a utility, SpinCo will have additional opportunities as it executes its generation hedging strategy.

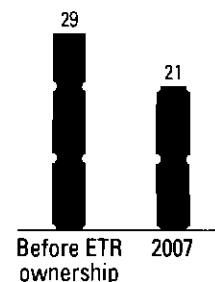
The existing team of experienced and skilled non-utility nuclear engineers and operators to be employed by the joint venture owned equally by SpinCo and Entergy Classic will continue to operate SpinCo nuclear assets. SpinCo will benefit from that operational expertise and the potential that exists to expand that business by offering nuclear services to third parties. The experienced and skilled nuclear utility operators will continue to operate the utility nuclear plants. Retaining the existing operators for the nuclear stations reflects our commitment to maintain safe, secure operations.

We believe SpinCo will be a unique nuclear generation entity with the potential to deliver \$2 billion in earnings before interest, taxes, depreciation and amortization in 2012. This robust cash projection should generate cash flow for acquisitions and/or distributions through share repurchases with a financial aspiration in the range of \$0.5 billion to \$1.0 billion annually.

Northeast Nuclear Fleet Capacity Factor %



Northeast Nuclear Fleet Production Costs \$ per MWh



Using our operational and risk management expertise, we have transformed underperforming non-utility nuclear assets into a valuable portfolio of emission-free power-generating assets that are safe and secure.



IT CAME FROM WITHIN!

AMAZING!
ASTONISHING!
AWE-INSPIRING!

*Watch this staggering drama unfold as emitters of greenhouse gases
become innovative problem-solvers.*

Featuring A SMART CARBON POLICY

With Special Appearances by U.S. AND INTERNATIONAL POLICYMAKERS



Entergy Environmental

GUIDING PRINCIPLES FOR A CARBON POLICY

As humans, we created the climate change mess and as humans, we have the potential within us to fix it. Entergy believes the debate on the science behind climate change is over and that climate change is real. Going forward, five key principles should guide us as we – as a nation and an industry – develop a carbon policy to address the climate change issue: take meaningful action now, use market forces intelligently, be realistic about carbon prices, support research and development and understand the social effects.

In 2006, the debate on climate change centered largely on whether the science behind the issue was fact or fiction. In our 2006 annual report, we said the science behind climate change was real. We presented opinions of well-respected climate change experts and we asked you to form your own opinion and support action on the issue.

Today, the debate has shifted dramatically. The science has now been accepted as reality by most informed constituents. Now questions on how to address the issue are taking center stage. Our view at Entergy is there are five guiding principles that we should follow in order to develop a smart and effective carbon policy. They are:

1. MEANINGFUL ACTION IS NEEDED NOW

Time is of the essence. To reduce future climate change impacts, we must stabilize the growing concentration of greenhouse gases in the atmosphere. Because of inertia in the system, greenhouse gas concentrations will continue to rise even after emissions have been reduced. So, global greenhouse gas emissions first must peak and then decline thereafter, ultimately achieving stabilization. The lower the stabilization level, the more quickly this peak and decline in emissions will need to occur. Bottom line, the longer we wait, the more difficult and costly it will be to achieve stabilization.

2. USE MARKET FORCES INTELLIGENTLY

At present, there is no “silver bullet” to reduce carbon emissions at low cost, and we need to face up to that. Carbon control will not be cheap. We have to be as smart as possible about how we go about it, so that we do not cripple the economy. Because it will be expensive, we should rely on the most efficient method for resource allocation and that is the market.

There are two main forms of market-based greenhouse gas regulation – a cap-and-trade system or a carbon tax. Cap-and-trade limits greenhouse gas emissions at a defined level and tradable allowances to emit are either freely allocated or auctioned off at an allowance price set by the market. A carbon tax is levied on emitters based on the amount of greenhouse gases they emit.

Entergy supports a cap-and-trade plan as it provides impetus for companies to seek cleaner technologies and provides a revenue stream for research and development investment in clean generation. Under any cap-and-trade system implemented to reduce greenhouse gas emissions, allowances should not be fully allocated. Selling at least some allowances is essential in order to generate a revenue stream to fund investment in necessary R&D and to help mitigate the regressive impact of a carbon policy on low-income households.

Using market forces intelligently also means looking at the whole picture. According to the 2007 U.S. Greenhouse Gas Inventory Report, the electric sector emitted 2.38 billion metric tons of CO₂ in 2005, a third of total U.S. greenhouse gas emissions and only 5 percent of the world total. The electric sector by itself cannot achieve the global greenhouse gas emission reductions required for stabilization targets. So it's important not only to look at the cost, benefits, efficiency and equity of the U.S. carbon policy, but also to consider how the policy will interact with international policy. Bottom line, we need a market-based approach with the broadest possible reach.

3. BE REALISTIC ABOUT CARBON PRICES

We must be prepared for, and willing to accept, significant carbon prices that are high enough to encourage clean generating technologies to enter the market. If we are lucky, under a cap-and-trade model, CO₂ allowance prices will not be more than \$50 per ton – but they could go higher. Whether we are lucky or not depends principally on successful development of coal retrofit technology.

Eighty percent of the U.S. electric sector's CO₂ emissions are from existing coal plants. There is presently no cost-effective technology for post-combustion capture from conventional coal plants and experts tell us that secure, long-term geologic storage of CO₂ emissions is 10 years away. We need clean coal as a part of our future energy mix. For that to happen, we need a carbon price that allows carbon capture and storage to become a viable option. Unless and until we have that technology, the only way to achieve the emission reductions needed to meet stabilization targets would be a carbon price high enough to induce the retirement of conventional coal plants. Our analysis also shows that it would take a carbon price greater than \$70 per ton to achieve this outcome. This is not an acceptable outcome. Clean coal needs to be part of our secure energy future. A cap-and-trade policy that allows a price ceiling to rise to \$50 per ton over a 10-year period will stimulate innovation and help bring cost-effective, clean

"A smart carbon policy can protect the irreplaceable

The Making of The Value Trilogy

DISTRIBUTION

The film is a true picture of the current energy market and the challenges ahead. Distribution is scheduled for 2008. The film is not yet rated.

technologies to market. A realistic carbon price signal will also encourage greater supply- and demand-side efficiency as well as more economic non-emitting renewable and nuclear capacity.

Another issue affecting carbon prices is nuclear waste disposal. We need to break the political gridlock on that issue and deal with it. In the event that coal retrofit technology proves elusive or expensive, the new nuclear option will be critical to moderate the expensive increased dependence on price-volatile natural gas that would inevitably result.

We can't and shouldn't shield consumers from the energy price effects. Customer efficiency measures and conservation in response to retail energy prices are two of the most cost-effective sources of carbon control. The price effects need to be implanted gradually but steadily, over a 10-year period, through an increase in the price ceiling. Getting the price signals out there and starting to make the changes now will be cheaper in the long run and certainly better than waiting until it's too late. Bottom line, we need a robust, 10-year price signal.

4. SUPPORT RESEARCH AND DEVELOPMENT

R&D spending for coal retrofit technology and long-term carbon sequestration is essential. Otherwise, our options will be more limited and more expensive. It takes time, and we are already behind.

Entergy provides funding to the Electric Power Research Institute's CO₂ Capture and Storage program to gain valuable insights into a range of carbon capture processes and long-term carbon storage options. We also support the Gulf Coast Carbon Center's efforts to test the viability of storing CO₂ in geologic formations.

However, we recognize that something other than pure market forces will be needed to fund a portion of the investment in R&D on post-combustion capture technology. Why? Private capital will not invest billions to address a problem before it is known whether we have the political capital and political infrastructure to implement domestic and global controls.

Delaying action now means more drastic emissions reductions over the coming decades, accompanied by exponentially escalating costs. Bottom line, we need a stream of revenues directed to clean coal R&D and deployment – now.

THE VALUE TRILOGY

Coming Soon

ENTERGY CLASSIC
SPINCO
JV

Pending Approval

value of a clean, healthy environment.

5. UNDERSTAND THE SOCIAL EFFECTS

At home and around the world, we cannot let the brunt of the damage – economic and climatic – fall on the poorest among us. Policymakers will face trade-offs between reducing the costs of an emissions cap to the overall economy and reducing the economic burdens to certain sectors or households.

Regardless of whether allowances are allocated or auctioned, consumers will bear most of the cost of meeting an emissions cap and pay higher prices for products like electricity and gasoline. Thus, carbon regulation has the potential to have profound and adverse impacts on those who can least afford it: our low-income customers. Energy price increases are regressive because low-income households generally pay a higher percentage of their total income for energy than do wealthier households. The need for intervention should be obvious. For the poorest among us, the cost of reducing greenhouse gas emissions could mean the loss of “luxuries” such as food, warmth and shelter. This is unacceptable, particularly because children will feel the greatest impact: Children who are hungry or cold cannot learn, and they quickly fall behind their peers. Sacrificing the future of impoverished children for the welfare of future generations is a false choice and would be both a disgrace and a disaster.

Ironically, those who hold out the false promise of cheap and easy solutions to greenhouse gas control are doing no favors to the disadvantaged. Failure to recognize how costly this will be will lead to the failure to protect against its regressive effects. Bottom line, we need a stream of revenues directed to mitigating the regressive effects, both financial and climatic.

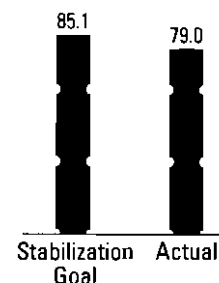
OUR GENERATION'S CHALLENGE

As a utility company serving coastal Louisiana and Texas, including New Orleans, Entergy received a personal wake-up call from hurricanes Katrina and Rita. These storms dramatically demonstrated the unique risks that climate change poses to our company and the communities we serve. Coastal communities are already experiencing the adverse consequences of a rising sea level and will be exposed to increasing risks from compounding climate change factors over the coming decades.

Recognizing that we have a greenhouse gas problem, while important, is actually the easy part of the job. Addressing the problem urgently yet rationally is the hard part, and that is the challenge to which our generation must respond.

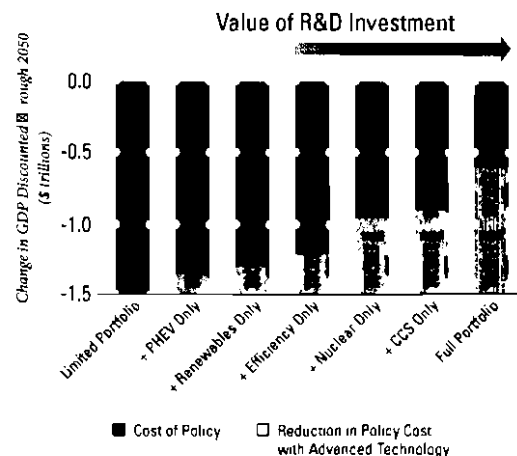
The U.S. economy has been built upon a history of solving these kinds of technical or technology problems. We have every reason to have confidence that this effort – in the United States and with the solutions applied globally – will slow and stabilize the advance of climate change, thus justifying the investment of money and resources in that effort. What is essential is political will and tough-minded pragmatism, not false promises of cheap and easy solutions. We need to have confidence that the effort will really slow the advance of global climate change and justify the enormous investment of money and resources in the effort.

Cumulative CO₂ Emissions 2006-2007
million tons



In 2006 and 2007, we performed better than the stabilization goal we set as part of our second voluntary commitment to stabilize our CO₂ emissions at 20 percent below year 2000 levels from 2006 to 2010.

Electric Power Research Institute Perspective
\$ trillions in year 2000 dollars



Like the Electric Power Research Institute, we believe that smart investment in advanced carbon capture technologies is essential to reduce the economic impact of any carbon policy.

Source:
“The Power to Reduce CO₂ Emissions - The Full Portfolio”, discussion paper prepared for the EPRI 2007 Summer Seminar by the EPRI Technology Assessment Center

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THE

VALUE TRILOGY

THREE GREAT STORIES
FOR THE PRICE OF ONE!!!

ENTERGY
Classic

PLUS!

SPINCO
The SEQUEL

PLUS!

JOINT
VENTURE
THE JOURNEY CONTINUES

This never-ending story of growing value continues.

Watch it unfold in 2008 when **THE VALUE TRILOGY** opens on an exchange near you!



COMING ATTRACTIONS

When executed, the spin-off of our non-utility nuclear assets will create three entities – Entergy Classic, SpinCo and the Nuclear Services joint venture. Each company in this value trilogy will continue to aspire individually to deliver superior value to its owners.

The financial aspirations for 2008 through 2012 for each business are:

- Entergy Classic aspires to 6 to 8 percent annualized growth in earnings per share, a 70 to 75 percent dividend payout ratio target and the capacity for a new share repurchase program targeted at \$2.5 billion beginning after the completion of the spin-off. In January 2008, the Entergy Board of Directors authorized \$0.5 billion of this program. The balance is expected to be authorized and to commence following completion of the spin-off.
- SpinCo aspires to \$2 billion in 2012 earnings before interest, taxes, depreciation and amortization generating cash flow for ongoing acquisitions and/or distribution capacity through share repurchases in the range of \$0.5 billion to \$1.0 billion annually. Subject to market terms and conditions, SpinCo expects to execute approximately \$4.5 billion of debt financing.
- To be owned equally by Entergy Classic and SpinCo, the Nuclear Services joint venture aspires to safe, secure and industry-leading nuclear operational performance. The joint venture will operate SpinCo's plants and the Cooper Nuclear Station and will provide certain technical services and the Chief Nuclear Officer to Entergy Classic following the spin. In addition, the joint venture expects to pursue growth opportunities by offering nuclear services including plant operations, decommissioning and relicensing to third parties.

We will be working diligently throughout 2008 to execute our plans and complete the spin-off of our non-utility nuclear assets to our shareholders. We have established a steering committee to lead the overall spin-off process and make final recommendations on all major business and operational issues. We also established a project management office to coordinate all aspects of the spin-off process across multiple functional areas, including nuclear operations, support services, regulatory affairs and financial planning and execution. We will continue to take the necessary actions, including seeking requisite regulatory approvals, in order to complete the transaction around the end of the third quarter of 2008.

Financial Review

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FINANCIAL REVIEW

FORWARD-LOOKING INFORMATION

In this combined report and from time to time, Entergy Corporation and the Registrant Subsidiaries (Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc.) each makes statements as a reporting company concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "intends," "plans," "predicts," "estimates," and similar expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although each of these reporting companies believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this combined report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, these reporting companies undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including those factors discussed or incorporated by reference in (a) Item 1A. Risk Factors, (b) Management's Financial Discussion and Analysis, and (c) the following factors (in addition to others described elsewhere in this combined report and in subsequent securities filings):

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions and implementation of Texas restructuring legislation, and other regulatory proceedings, including those related to Entergy's System Agreement, Entergy's utility supply plan, recovery of storm costs, and recovery of fuel and purchased power costs
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, the operations of the independent coordinator of transmission that includes Entergy's utility service territory, and the application of more stringent transmission reliability requirements or market power criteria by the FERC (Federal Energy Regulatory Commission)
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those in the Non-Utility Nuclear business
- resolution of pending or future applications for license extensions or modifications of nuclear generating facilities
- the performance of Entergy's generating plants, and particularly the capacity factors at its nuclear generating facilities
- Entergy's ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities
- prices for power generated by Entergy's unregulated generating facilities, the ability to hedge, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Non-Utility Nuclear plants, and the prices and availability of fuel and power Entergy must purchase for its utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts
- volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities
- changes in law resulting from federal energy legislation
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of Hurricanes Katrina and Rita and recovery of costs associated with restoration
- Entergy's and its subsidiaries' ability to manage their operation and maintenance costs
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms
- the economic climate, and particularly growth in Entergy's service territory
- the effects of Entergy's strategies to reduce tax payments
- changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute its share repurchase program, and fund investments and acquisitions
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria
- changes in inflation and interest rates
- the effect of litigation and government investigations
- advances in technology
- the potential effects of threatened or actual terrorism and war
- Entergy's ability to attract and retain talented management and directors
- changes in accounting standards and corporate governance
- And the following transactional factors (in addition to others described elsewhere in this and in subsequent securities filings): (i) risks inherent in the contemplated Non-Utility Nuclear spin-off, joint venture and related transactions (including the level of debt incurred by the spun-off company and the terms and costs related thereto); (ii) legislative and regulatory actions; and (iii) conditions of the capital markets during the periods covered by the forward-looking statements. Entergy Corporation cannot provide any assurances that the spin-off or any of the proposed transactions related thereto will be completed, nor can it give assurances as to the terms on which such transactions will be consummated. The transaction is subject to certain conditions precedent, including regulatory approvals and the final approval by the Board.

GAAP TO NON-GAAP RECONCILIATION

| Earnings Per Share | 2007 | 2006 |
|--------------------|----------|--------|
| As-Reported | \$ 5.60 | \$5.36 |
| Less Special Items | \$(0.16) | \$0.64 |
| Operational | \$ 5.76 | \$4.72 |

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|--------------|--------------|--------------|--------------|---------------------------|
| SELECTED FINANCIAL DATA: (in thousands, except percentages and per share amounts) | | | | | |
| Operating revenues | \$11,484,398 | \$10,932,158 | \$10,106,247 | \$ 9,685,521 | \$ 9,032,714 |
| Income from continuing operations | \$ 1,134,849 | \$ 1,133,098 | \$ 943,125 | \$ 909,565 | \$ 804,273 ^(a) |
| Earnings per share from continuing operations | | | | | |
| Basic | \$ 5.77 | \$ 5.46 | \$ 4.49 | \$ 4.01 | \$ 3.55 |
| Diluted | \$ 5.60 | \$ 5.36 | \$ 4.40 | \$ 3.93 | \$ 3.48 |
| Dividends declared per share | \$ 2.58 | \$ 2.16 | \$ 2.16 | \$ 1.89 | \$ 1.60 |
| Return on common equity | 14.13% | 14.21% | 11.20% | 10.70% | 11.21% |
| Book value per share, year-end | \$ 40.71 | \$ 40.45 | \$ 37.31 | \$ 38.25 | \$ 38.02 |
| Total assets | \$33,643,002 | \$31,082,731 | \$30,857,657 | \$28,310,777 | \$28,527,388 |
| Long-term obligations ^(b) | \$ 9,948,573 | \$ 8,996,620 | \$ 9,013,448 | \$ 7,180,291 | \$ 7,497,690 |

UTILITY ELECTRIC OPERATING REVENUES:

(in millions)

| | | | | | |
|---------------------------------|----------|----------|----------|----------|----------|
| Residential | \$ 3,228 | \$ 3,193 | \$ 2,912 | \$ 2,842 | \$ 2,683 |
| Commercial | 2,413 | 2,318 | 2,041 | 2,045 | 1,882 |
| Industrial | 2,545 | 2,630 | 2,419 | 2,311 | 2,082 |
| Governmental | 221 | 155 | 141 | 200 | 195 |
| Total retail | 8,407 | 8,296 | 7,513 | 7,398 | 6,842 |
| Sales for resale ^(c) | 393 | 612 | 656 | 390 | 371 |
| Other | 246 | 155 | 278 | 145 | 184 |
| Total | \$ 9,046 | \$ 9,063 | \$ 8,447 | \$ 7,933 | \$ 7,397 |

UTILITY BILLED ELECTRIC ENERGY SALES:

(GWh)

| | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|
| Residential | 33,281 | 31,665 | 31,569 | 32,897 | 32,817 |
| Commercial | 27,408 | 25,079 | 24,401 | 26,468 | 25,863 |
| Industrial | 38,985 | 38,339 | 37,615 | 40,293 | 38,637 |
| Governmental | 2,339 | 1,580 | 1,568 | 2,568 | 2,651 |
| Total retail | 102,013 | 96,663 | 95,153 | 102,226 | 99,968 |
| Sales for resale ^(c) | 6,145 | 10,803 | 11,459 | 8,623 | 9,248 |
| Total | 108,158 | 107,466 | 106,612 | 110,849 | 109,216 |

NON-UTILITY NUCLEAR:

| | | | | | |
|------------------------------------|----------|----------|----------|----------|----------|
| Operating revenues (in millions) | \$ 2,030 | \$ 1,545 | \$ 1,422 | \$ 1,342 | \$ 1,275 |
| Billed electric energy sales (GWh) | 37,570 | 34,847 | 33,641 | 32,613 | 32,409 |

(a) Before cumulative effect of accounting changes.

(b) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and non-current capital lease obligations.

(c) Includes sales to Entergy New Orleans, which was deconsolidated in 2006 and 2005. See Note 18 to the financial statements.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Entergy operates primarily through two business segments: Utility and Non-Utility Nuclear.

- **UTILITY** generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.
- **NON-UTILITY NUCLEAR** owns and operates six nuclear power plants located in the northern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the non-nuclear wholesale assets business. The non-nuclear wholesale assets business sells to wholesale customers the electric power produced by power plants that it owns while it focuses on improving performance and exploring sales or restructuring opportunities for its power plants. Such opportunities are evaluated consistent with Entergy's market-based point-of-view.

Following are the percentages of Entergy's consolidated revenues and net income generated by its operating segments and the percentage of total assets held by them:

| Segment | % of Revenue | | |
|---|--------------|------|------|
| | 2007 | 2006 | 2005 |
| Utility | 80 | 84 | 84 |
| Non-Utility Nuclear | 18 | 14 | 14 |
| Parent Company & Other Business Segments | 2 | 2 | 2 |

| Segment | % of Net Income | | |
|---|-----------------|------|------|
| | 2007 | 2006 | 2005 |
| Utility | 60 | 61 | 73 |
| Non-Utility Nuclear | 48 | 27 | 31 |
| Parent Company & Other Business Segments | (8) | 12 | (4) |

| Segment | % of Total Assets | | |
|---|-------------------|------|------|
| | 2007 | 2006 | 2005 |
| Utility | 78 | 81 | 82 |
| Non-Utility Nuclear | 21 | 17 | 16 |
| Parent Company & Other Business Segments | 1 | 2 | 2 |

PLAN TO PURSUE SEPARATION OF NON-UTILITY NUCLEAR

In November 2007, the Board approved a plan to pursue a separation of the Non-Utility Nuclear business from Entergy through a tax-free spin-off of Non-Utility Nuclear to Entergy shareholders. SpinCo, the term used to identify the new company that is yet to be named, will be a new, separate, and publicly-traded company. In addition, under the plan, SpinCo and Entergy are expected to enter into a nuclear services business joint venture, with 50% ownership by SpinCo and 50% ownership by Entergy. The nuclear services business board of directors will be comprised of equal membership from both Entergy and SpinCo and may include independent directors.

Upon completion of the spin-off, Entergy Corporation's shareholders will own 100% of the common equity in both SpinCo and Entergy. Entergy expects that SpinCo's business will be substantially comprised of Non-Utility Nuclear's assets, including its six nuclear power plants, and Non-Utility Nuclear's power marketing operation. Entergy Corporation's remaining business will primarily be comprised of the Utility business. The nuclear services business joint venture is expected to operate the nuclear assets owned by SpinCo. The nuclear services

business is also expected to offer nuclear services to third parties, including decommissioning, plant relicensing, and plant operation support services, including the services currently provided for the Cooper Nuclear Station in Nebraska.

Entergy Nuclear Operations, Inc., the current Nuclear Regulatory Commission (NRC)-licensed operator of the Non-Utility Nuclear plants, filed an application in July 2007 with the NRC seeking indirect transfer of control of the operating licenses for the six Non-Utility Nuclear power plants, and supplemented that application in December 2007 to incorporate the planned business separation. Entergy Nuclear Operations, Inc. will remain the operator of those plants after the separation. Entergy Operations, Inc., the current NRC-licensed operator of Entergy's five Utility nuclear plants, will remain a wholly-owned subsidiary of Entergy and will continue to be the operator of the Utility nuclear plants. In the December 2007 supplement to the NRC application, Entergy Nuclear Operations provided additional information regarding the spin-off transaction, organizational structure, technical and financial qualifications, and general corporate information. The NRC published a notice in the Federal Register establishing a period for the public to submit a request for hearing or petition to intervene in a hearing proceeding. The NRC notice period expired on February 5, 2008 and two petitions to intervene in the hearing proceeding were filed before the deadline. Each of the petitions opposes the NRC's approval of the license transfer on various grounds, including contentions that the approval request is not adequately supported regarding the basis for the proposed structure, the adequacy of decommissioning funding, and the adequacy of financial qualifications. Entergy will submit answers to the petitions, and the NRC or a presiding officer designated by the NRC will determine whether a hearing will be granted. If a hearing is granted, the NRC is expected to issue a procedural schedule providing for limited discovery, written testimony and a legislative-type hearing. The NRC will continue to review the application and prepare a Safety Evaluation Report.

On January 28, 2008, Entergy Nuclear Vermont Yankee and Entergy Nuclear Operations, Inc. requested approval from the Vermont Public Service Board for the indirect transfer of control, consent to pledge assets, guarantees and assignments of contracts, amendment to certificate of public good to reflect name change, and replacement of guaranty and substitution of a credit support agreement for Vermont Yankee. A prehearing conference scheduled for February 27, 2008 was postponed due to weather.

On January 28, 2008, Entergy Nuclear FitzPatrick, Entergy Nuclear Indian Point 2, Entergy Nuclear Indian Point 3, Entergy Nuclear Operations, and corporate affiliate NewCo (also referred to as SpinCo) filed a petition with the New York Public Service Commission (NYPSC) requesting a declaratory ruling regarding corporate reorganization or in the alternative an order approving the transaction and an order approving debt financing. Petitioners also requested confirmation that the corporate reorganization will not have an effect on Entergy Nuclear FitzPatrick's, Entergy Nuclear Indian Point 2's, Entergy Nuclear Indian Point 3's, and Entergy Nuclear Operations, Inc.'s status as lightly regulated entities in New York, given that they will continue to be competitive wholesale generators. The deadline for parties to file comments or request intervention is April 7, 2008.

Pursuant to Federal Power Act Section 203, on February 21, 2008, an application was filed with the FERC requesting approval for the indirect disposition and transfer of control of jurisdictional facilities of a public utility. The review of the filing by FERC will be focused on determining that the transaction will have no adverse effects on competition, wholesale or retail rates, and on federal and state regulation. Also, the FERC will seek to determine that the transaction will not result in

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

cross-subsidization by a regulated utility or the pledge or encumbrance of utility assets for the benefit of a non-utility associate company.

Subject to market terms and conditions and pursuant to the plan, SpinCo is expected to execute approximately \$4.5 billion of debt financing in connection with the separation. Anticipated uses of the proceeds are for SpinCo to retain \$0.5 billion for working capital and for Entergy to retain \$4 billion. Entergy expects to use \$2.5 billion for share repurchases and \$1.5 billion for debt reduction.

Entergy is targeting around the end of the third quarter of 2008 as the effective date for the spin-off and nuclear services business joint venture transactions to be completed. Entergy expects the transactions to qualify for tax-free treatment for U.S. federal income tax purposes for both Entergy and its shareholders. Final terms of the transactions and spin-off completion are subject to several conditions including the final approval of the Board. As Entergy pursues completion of the separation and establishment of the nuclear services business joint venture, Entergy will continue to consider possible modifications to and variations upon the transaction structure, including a sponsored spin-off, a partial initial public offering preceding the spin-off, or the addition of a third-party joint venture partner.

HURRICANE KATRINA AND HURRICANE RITA

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to large portions of the Utility's service territory in Louisiana, Mississippi, and Texas, including the effect of extensive flooding that resulted from levee breaks in and around the greater New Orleans area. The storms and flooding resulted in widespread power outages, significant damage to electric distribution, transmission, and generation and gas infrastructure, and the loss of sales and customers due to mandatory evacuations and the destruction of homes and businesses. Entergy has pursued a broad range of initiatives to recover storm restoration and business continuity costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for damage caused by Hurricanes Katrina and Rita, and pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies.

INSURANCE CLAIMS

See Note 8 to the financial statements for a discussion of Entergy's conventional property insurance program. Entergy has received a total of \$134.5 million as of December 31, 2007 on its Hurricane Katrina and Hurricane Rita insurance claims, including \$69.5 million that Entergy received in the second quarter 2007 in settlement of its Hurricane Katrina claim with one of its two excess insurers. In the third quarter 2007, Entergy filed a lawsuit in the U.S. District Court for the Eastern District of Louisiana against its other excess insurer on the Hurricane Katrina claim. At issue in the lawsuit is whether any policy exclusions limit the extent of coverage provided by that insurer.

There was an aggregation limit of \$1 billion for all parties insured by the primary insurer for any one occurrence at the time of the Hurricane Katrina and Hurricane Rita losses, and the primary insurer notified Entergy that it expects claims for Hurricane Katrina and Hurricane Rita to materially exceed this limit. Entergy currently estimates that its remaining net insurance recoveries for the losses caused by the hurricanes, including the effects of the primary insurance aggregation limit being exceeded and the litigation against the excess insurer, will be approximately \$270 million. Entergy currently expects to receive payment for the majority of its estimated insurance recovery related to Hurricane Katrina and Hurricane Rita through 2009.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

In December 2005, the U.S. Congress passed the Katrina Relief Bill, a hurricane aid package that includes \$11.5 billion in Community Development Block Grants (CDBG) (for the states affected by Hurricanes Katrina, Rita, and Wilma) that allows state and local leaders to fund individual recovery priorities. The bill includes language that permits funding to be provided for infrastructure restoration.

New Orleans

In March 2006, Entergy New Orleans provided a justification statement to state and local officials in connection with its pursuit of CDBG funds to mitigate Hurricane Katrina restoration costs that otherwise would be borne by customers. The statement included all the estimated costs of Hurricane Katrina damage, as well as a lost customer base component intended to help offset the need for storm-related rate increases. In October 2006, the Louisiana Recovery Authority Board endorsed a resolution proposing to allocate \$200 million in CDBG funds to Entergy New Orleans to defray gas and electric utility system repair costs in an effort to provide rate relief for Entergy New Orleans customers. The proposal was developed as an action plan amendment and published for public comment. State lawmakers approved the action plan in December 2006, and the U. S. Department of Housing and Urban Development approved it in February 2007. Entergy New Orleans filed applications seeking Council of the City of New Orleans, Louisiana (City Council or Council) or certification of its storm-related costs incurred through December 2006. Entergy New Orleans supplemented this request to include the estimated future cost of the gas system rebuild.

In March 2007, the City Council certified that Entergy New Orleans incurred \$205 million in storm-related costs through December 2006 that are eligible for CDBG funding under the state action plan, and certified Entergy New Orleans' estimated costs of \$465 million for its gas system rebuild. In April 2007, Entergy New Orleans executed an agreement with the Louisiana Office of Community Development (OCD) under which \$200 million of CDBG funds will be made available to Entergy New Orleans. Entergy New Orleans submitted the agreement to the bankruptcy court, which approved it on April 25, 2007. Entergy New Orleans has received \$180.8 million of the funds as of December 31, 2007, and under the agreement with the OCD, Entergy New Orleans expects to receive the remainder as it incurs and submits additional eligible costs.

Mississippi

In March 2006, the Governor of Mississippi signed a law that established a mechanism by which the Mississippi Public Service Commission (MPSC) could authorize and certify an electric utility financing order and the state could issue bonds to finance the costs of repairing damage caused by Hurricane Katrina to the systems of investor-owned electric utilities. Because of the passage of this law and the possibility of Entergy Mississippi obtaining CDBG funds for Hurricane Katrina storm restoration costs, in March 2006, the MPSC issued an order approving a Joint Stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provided for a review of Entergy Mississippi's total storm restoration costs in an Application for an Accounting Order proceeding. In June 2006, the MPSC issued an order certifying Entergy Mississippi's Hurricane Katrina restoration costs incurred through March 31, 2006 of \$89 million, net of estimated insurance proceeds. Two days later, Entergy Mississippi filed a request with the Mississippi Development Authority for \$89 million of CDBG funding for reimbursement of its Hurricane

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

Katrina infrastructure restoration costs. Entergy Mississippi also filed a Petition for Financing Order with the MPSC for authorization of state bond financing of \$169 million for Hurricane Katrina restoration costs and future storm costs. The \$169 million amount included the \$89 million of Hurricane Katrina restoration costs plus \$80 million to build Entergy Mississippi's storm damage reserve for the future. Entergy Mississippi's filing stated that the amount actually financed through the state bonds would be net of any CDBG funds that Entergy Mississippi received.

In October 2006, the Mississippi Development Authority approved for payment and Entergy Mississippi received \$81 million in CDBG funding for Hurricane Katrina costs. The MPSC then issued a financing order authorizing the issuance of state bonds to finance \$8 million of Entergy Mississippi's certified Hurricane Katrina restoration costs and \$40 million for an increase in Entergy Mississippi's storm damage reserve. \$30 million of the storm damage reserve was set aside in a restricted account. A Mississippi state entity issued the bonds in May 2007, and Entergy Mississippi received proceeds of \$48 million. Entergy Mississippi will not report the bonds on its balance sheet because the bonds are the obligation of the state entity, and there is no recourse against Entergy Mississippi in the event of a bond default. To service the bonds, Entergy Mississippi is collecting a system restoration charge on behalf of the state, and will remit the collections to the state. By analogy to and in accordance with Entergy's accounting policy for collection of sales taxes, Entergy Mississippi will not report the collections as revenue because it is merely acting as the billing and collection agent for the state.

ADDITIONAL SECURITIZATION PROCEEDINGS

Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy Texas have filed with their respective retail regulators for recovery of storm restoration costs, including through securitization. These filings and their results are discussed in Note 2 to the financial statements.

ENTERGY NEW ORLEANS BANKRUPTCY

As a result of the effects of Hurricane Katrina and the effect of extensive flooding that resulted from levee breaks in and around the New Orleans area, on September 23, 2005, Entergy New Orleans filed a voluntary petition in bankruptcy court seeking reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. On May 7, 2007, the bankruptcy judge entered an order confirming Entergy New Orleans' plan of reorganization. With the receipt of CDBG funds, and the agreement on insurance recovery with one of its excess insurers, Entergy New Orleans waived the conditions precedent in its plan of reorganization, and the plan became effective on May 8, 2007. Following are significant terms in Entergy New Orleans' plan of reorganization:

- Entergy New Orleans paid in full, in cash, the allowed third-party prepetition accounts payable (approximately \$29 million, including interest). Entergy New Orleans paid interest from September 23, 2005 at the Louisiana judicial rate of interest for 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% for 2007 through the date of payment. The Louisiana judicial rate of interest for 2007 is 9.5%.
- Entergy New Orleans issued notes due in three years in satisfaction of its affiliate prepetition accounts payable (approximately \$74 million, including interest), including its indebtedness to the Entergy System money pool. Entergy New Orleans included in the principal amount of the notes accrued interest from September 23, 2005 at the Louisiana judicial rate of interest for 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% for 2007 through the date of issuance of the notes. Entergy

New Orleans will pay interest on the notes from their date of issuance at the Louisiana judicial rate of interest plus 1%. The Louisiana judicial rate of interest is 9.5% for 2007 and 8.5% for 2008.

- Entergy New Orleans repaid in full, in cash, the outstanding borrowings under the debtor-in-possession credit agreement between Entergy New Orleans and Entergy Corporation (approximately \$67 million).
- Entergy New Orleans' first mortgage bonds will remain outstanding with their current maturity dates and interest terms. Pursuant to an agreement with its first mortgage bondholders, Entergy New Orleans paid the first mortgage bondholders an amount equal to the one year of interest from the bankruptcy petition date that the bondholders had waived previously in the bankruptcy proceeding (approximately \$12 million).
- Entergy New Orleans' preferred stock will remain outstanding on its current dividend terms, and Entergy New Orleans paid its unpaid preferred dividends in arrears (approximately \$1 million).
- Litigation claims will generally be unaltered, and will generally proceed as if Entergy New Orleans had not filed for bankruptcy protection, with exceptions for certain claims.

With confirmation of the plan of reorganization, Entergy reconsolidated Entergy New Orleans in the second quarter 2007, retroactive to January 1, 2007. Because Entergy owns all of the common stock of Entergy New Orleans, reconsolidation does not affect the amount of net income that Entergy recorded from Entergy New Orleans' operations for the current or prior periods, but does result in Entergy New Orleans' financial results being included in each individual income statement line item in 2007, rather than only its net income being presented as "Equity in earnings of unconsolidated equity affiliates," as will remain the case for 2005 and 2006.

RESULTS OF OPERATIONS

2007 COMPARED TO 2006

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing 2007 to 2006 showing how much the line item increased or (decreased) in comparison to the prior period (in thousands):

| | Utility | Non-Utility Nuclear | Parent & Other | Entergy |
|--|-----------|------------------------|-------------------|-------------|
| 2006 Consolidated | | | | |
| Net Income | \$691,160 | \$309,496 | \$131,946 | \$1,132,602 |
| Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges (credits)) | 346,753 | 451,374 | (62,994) | 735,133 |
| Other operation and maintenance expenses | 207,468 | 122,511 | (15,689) | 314,290 |
| Taxes other than income taxes | 42,553 | 16,265 | 1,679 | 60,497 |
| Depreciation | 46,307 | 27,510 | 2,103 | 75,920 |
| Other income | 8,732 | (12,193) | (90,071) | (93,532) |
| Interest charges | 15,405 | (12,686) | 81,633 | 84,352 |
| Other (including discontinued operations) | (3,285) | (30,129) | 492 | (32,922) |
| Income taxes | 48,920 | 25,748 | (3,295) | 71,373 |
| 2007 Consolidated | | | | |
| Net Income (Loss) | \$682,707 | \$539,200 | \$(87,058) | \$1,134,849 |

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

Refer to "Selected Financial Data - Five-Year Comparison Of Entergy Corporation And Subsidiaries" which accompanies Entergy Corporation's financial statements in this report for further information with respect to operating statistics.

Earnings were negatively affected in the fourth quarter 2007 by expenses of \$52 million (\$32 million net-of-tax) recorded in connection with a nuclear operations fleet alignment. This process was undertaken with the goals of eliminating redundancies, capturing economies of scale, and clearly establishing organizational governance. Most of the expenses related to the voluntary severance program offered to employees. Approximately 200 employees from the Non-Utility Nuclear business and 150 employees in the Utility business accepted the voluntary severance program offers.

As discussed above, Entergy New Orleans has been reconsolidated retroactive to January 1, 2007 and its results are included in each individual income statement line item for 2007. The variance explanations for the Utility for 2007 compared to 2006 in "Results Of Operations" reflect the 2006 results of operations of Entergy New Orleans as if it were reconsolidated in 2006, consistent with the 2007 presentation including the results in each individual income statement line item. Entergy's as-reported results for 2006, which had Entergy New Orleans deconsolidated, and the amounts needed to reconsolidate Entergy New Orleans, which include intercompany items, are set forth in the table below (in thousands):

| | For the Year Ended December 31, 2006 | |
|---|--|---------------------------------|
| | Entergy Corporation and Subsidiaries (as-reported) | Entergy New Orleans adjustment* |
| Operating revenues | \$10,932,158 | \$305,077 |
| Operating expenses: | | |
| Fuel, fuel-related expenses, and gas purchased for resale and purchased power | 5,282,310 | 113,888 |
| Other operation and maintenance | 2,335,364 | 100,094 |
| Taxes other than income taxes | 428,561 | 34,953 |
| Depreciation and amortization | 887,792 | 31,465 |
| Other regulatory charges (credits) - net | (122,680) | 4,160 |
| Other operating expenses | 315,451 | 169 |
| Total operating expenses | \$ 9,126,798 | \$284,729 |
| Other income | \$ 348,587 | \$ (8,244) |
| Interest and other charges | \$ 577,805 | \$ 7,053 |
| Income from continuing operations before income taxes | \$ 1,576,142 | \$ 5,051 |
| Income taxes | \$ 443,044 | \$ 5,051 |
| Consolidated Net Income | \$ 1,132,602 | \$ - |

* Reflects the adjustment needed to reconsolidate Entergy New Orleans for 2006. The adjustment includes intercompany eliminations.

Net Revenue

Utility

Following is an analysis of the change in net revenue, which is Entergy's measure of gross margin, comparing 2006 to 2007 (in millions):

| | | |
|---|--|-----------|
| 2006 Net Revenue (includes \$187 million for Entergy New Orleans) | | \$4,458.1 |
| Volume/weather | | 89.4 |
| Base revenues | | 85.3 |
| Fuel recovery | | 51.6 |
| Transmission revenue | | 38.4 |
| Purchased power capacity | | (90.4) |
| Net wholesale revenue | | (58.6) |
| Other | | 44.0 |
| 2007 Net Revenue | | \$4,617.8 |

The volume/weather variance resulted primarily from increased electricity usage in the residential and commercial sectors, including increased usage during the unbilled sales period. Billed retail electricity usage increased by a total of 1,591 GWh, an increase of 1.6%. See "Management's Financial Discussion And Analysis - Critical Accounting Estimates" herein and Note 1 to the financial statements for a discussion of the accounting for unbilled revenues.

The base revenues variance resulted from rate increases primarily at Entergy Louisiana effective September 2006 for the 2005 formula rate plan filing to recover Louisiana Public Service Commission (LPSC)-approved incremental deferred and ongoing purchased power capacity costs. The formula rate plan filing is discussed in Note 2 to the financial statements.

The fuel recovery variance is primarily due to the inclusion of Grand Gulf costs in Entergy New Orleans' fuel recoveries effective July 1, 2006. In June 2006, the City Council approved the recovery of Grand Gulf costs through the fuel adjustment clause, without a corresponding change in base rates (a significant portion of Grand Gulf costs was previously recovered through base rates). The increase is also due to purchased power costs deferred at Entergy Louisiana and Entergy New Orleans as a result of the re-pricing, retroactive to 2003, of purchased power agreements among Entergy system companies as directed by the FERC.

The transmission revenue variance is due to higher rates and the addition of new transmission customers in late-2006.

The purchased power capacity variance is due to higher capacity charges and new purchased power contracts that began in mid-2006. A portion of the variance is due to the amortization of deferred capacity costs and is offset in base revenues due to base rate increases implemented to recover incremental deferred and ongoing purchased power capacity charges at Entergy Louisiana, as discussed above.

The net wholesale revenue variance is due primarily to 1) more energy available for resale at Entergy New Orleans in 2006 due to the decrease in retail usage caused by customer losses following Hurricane Katrina and 2) the inclusion in 2006 revenue of sales into the wholesale market of Entergy New Orleans' share of the output of Grand Gulf, pursuant to City Council approval of measures proposed by Entergy New Orleans to address the reduction in Entergy New Orleans' retail customer usage caused by Hurricane Katrina and to provide revenue support for the costs of Entergy New Orleans' share of Grand Gulf. The net wholesale revenue variance is partially offset by the effect of lower wholesale revenues in the third quarter 2006 due to an October 2006 FERC order requiring Entergy Arkansas to make a refund to a coal plant co-owner resulting from a contract dispute.

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear from \$1,388 million for 2006 to \$1,839 million for 2007 primarily due to higher pricing in its contracts to sell power and additional production available resulting from the acquisition of the Palisades plant in April 2007. Amortization of the Palisades purchased power agreement liability, which is discussed in Note 15 to the financial statements, also contributed to the increase. The increase was partially offset by the effect on revenues of four refueling outages in 2007 compared to two in 2006. Following are key performance measures for Non-Utility Nuclear for 2007 and 2006:

| | 2007 | 2006 |
|------------------------------------|---------|---------|
| Net MW in operation at December 31 | 4,998 | 4,200 |
| Average realized price per MWh | \$52.69 | \$44.33 |
| Gwh billed | 37,570 | 34,847 |
| Capacity factor | 89% | 95% |

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

Parent & Other

Net revenue decreased for Parent & Other from \$114 million for 2006 to \$51 million for 2007 primarily due to the sale of the non-nuclear wholesale asset business' remaining interest in a power development project in the second quarter 2006, which resulted in a \$14.1 million gain (\$8.6 million net-of-tax). Also contributing to the decrease were higher natural gas prices in 2007 compared to the same period in 2006 as well as lower production as a result of an additional plant outage in 2007 compared to the same period in 2006. A substantial portion of the effect on net income of this decline is offset by a related decrease in other operation and maintenance expenses.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from \$1,749 million for 2006 to \$1,855 million for 2007 primarily due to:

- an increase of \$34 million in nuclear expenses primarily due to non-refueling outages, increased nuclear labor and contract costs, and higher NRC fees;
- an increase of \$21 million related to expenses in the fourth quarter 2007 in connection with the nuclear operations fleet alignment, as discussed above;
- an increase of \$20 million in transmission expenses, including independent coordinator of transmission expenses and transmission line and substation maintenance;
- an increase of \$16 million as a result of higher insurance premiums in addition to the timing of premium payments compared to 2006;
- an increase of \$16 million in fossil plant expenses due to differing outage schedules and scopes from 2006 to 2007 and the return to normal operations work in 2007 versus storm restoration activities in 2006 as a result of Hurricane Katrina;
- an increase of \$11 million due to a provision for storm-related bad debts; and
- an increase of \$10 million in distribution expenses, including higher contract labor costs, increases in vegetation maintenance costs, and the return to normal operations work in 2007 versus storm restoration activities in 2006 as a result of Hurricane Katrina and Hurricane Rita. This increase is net of an environmental liability credit of \$8 million for resolution of a pollution loss provision.

The increase is partially offset by a decrease of \$23 million in payroll, payroll-related, and benefits costs.

Depreciation and amortization expenses increased from \$835 million for 2006 to \$850 million for 2007 primarily due to an increase in plant in service and a revision made in the first quarter 2006 to estimated depreciable lives involving certain intangible assets. The increase was partially offset by a revision in the third quarter 2007 related to depreciation previously recorded on storm-related assets. Recovery of the cost of those assets will now be through the securitization of storm costs approved by the LPSC in the third quarter 2007. The securitization approval is discussed in Note 2 to the financial statements.

Non-Utility Nuclear

Other operation and maintenance expenses increased from \$637 million for 2006 to \$760 million for 2007 primarily due to the acquisition of the Palisades plant in April 2007 and expenses of \$29 million in the fourth quarter 2007 in connection with the nuclear operations fleet alignment.

Other expenses increased due to increases of \$14.4 million in nuclear refueling outage expense and \$15.7 million in decommissioning expense that resulted almost entirely from the acquisition of Palisades in April 2007.

Parent & Other

Interest charges increased from \$101 million for 2006 to \$183 million for 2007 primarily due to additional borrowings under Entergy Corporation's revolving credit facilities.

Other income decreased from \$93 million for 2006 to \$3 million for 2007 primarily due to a gain of approximately \$55 million (net-of-tax) in the fourth quarter of 2006 related to the Entergy-Koch investment. In 2004, Entergy-Koch sold its energy trading and pipeline businesses to third parties. At that time, Entergy received \$862 million of the sales proceeds in the form of a cash distribution by Entergy-Koch. Due to the November 2006 expiration of contingencies on the sale of Entergy-Koch's trading business, and the corresponding release to Entergy-Koch of sales proceeds held in escrow, Entergy received additional cash distributions of approximately \$163 million during the fourth quarter of 2006 and recorded a gain of approximately \$55 million (net-of-tax). Entergy expects future cash distributions upon liquidation of the partnership will be less than \$35 million.

Income Taxes

The effective income tax rate for 2007 was 30.7%. The reduction in the effective income tax rate versus the federal statutory rate of 35% in 2007 is primarily due to:

- a reduction in income tax expense due to a step-up in the tax basis on the Indian Point 2 non-qualified decommissioning trust fund resulting from restructuring of the trusts, which reduced deferred taxes on the trust fund and reduced current tax expense;
- the resolution of tax audit issues involving the 2002-2003 audit cycle;
- an adjustment to state income taxes for Non-Utility Nuclear to reflect the effect of a change in the methodology of computing New York state income taxes as required by that state's taxing authority;
- book and tax differences related to the allowance for equity funds used during construction; and
- the amortization of investment tax credits.

These factors were partially offset by book and tax differences for utility plant items and state income taxes at the Utility operating companies.

The effective income tax rate for 2006 was 27.6%. The reduction in the effective income tax rate versus the federal statutory rate of 35% in 2006 is primarily due to tax benefits, net of reserves, resulting from the tax capital loss recognized in connection with the liquidation of Entergy Power International Holdings, Entergy's holding company for Entergy-Koch. Also contributing to the lower rate for 2006 is an IRS audit settlement that allowed Entergy to release from its tax reserves settled issues relating to 1996-1998 audit cycle.

See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED**2006 COMPARED TO 2005**

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing 2006 to 2005 showing how much the line item increased or (decreased) in comparison to the prior period (in thousands):

| | Utility | Non-Utility Nuclear | Parent & Other | Entergy |
|--------------------------------|-----------|------------------------|-------------------|-------------|
| 2005 Consolidated | | | | |
| Net Income (Loss) | \$659,760 | \$282,623 | \$ (44,052) | \$ 898,331 |
| Net revenue (operating revenue | | | | |
| less fuel expense, | | | | |
| purchased power, and | | | | |
| other regulatory charges | | | | |
| (credits) - net) | 195,681 | 114,028 | 3,952 | 313,661 |
| Other operation and | | | | |
| maintenance expenses | 177,725 | 49,264 | (13,831) | 213,158 |
| Taxes other than | | | | |
| income taxes | 38,662 | 8,489 | (1,111) | 46,040 |
| Depreciation | 19,780 | 13,215 | (1,580) | 31,415 |
| Other income | 44,465 | 27,622 | 65,049 | 137,136 |
| Interest charges | 41,990 | (3,450) | 38,234 | 76,774 |
| Other (including discontinued | | | | |
| operations) | (3,146) | (6,465) | 44,232 | 34,621 |
| Income taxes | (72,557) | 40,794 | (84,477) | (116,240) |
| 2006 Consolidated | | | | |
| Net Income | \$691,160 | \$309,496 | \$131,946 | \$1,132,602 |

Net Revenue**Utility**

Following is an analysis of the change in net revenue comparing 2006 to 2005 (in millions):

| | |
|--|------------------|
| 2005 Net Revenue | \$4,075.4 |
| Base revenues/Attala costs | 143.2 |
| Fuel recovery | 39.6 |
| Pass-through rider revenue | 35.5 |
| Transmission revenue | 20.8 |
| Storm cost recovery | 12.3 |
| Volume/weather | 10.6 |
| Price applied to unbilled electric sales | (43.7) |
| Purchased power capacity | (34.5) |
| Other | 11.9 |
| 2006 Net Revenue | \$4,271.1 |

The base revenues variance resulted primarily from increases effective October 2005 for Entergy Gulf States Louisiana for the 2004 formula rate plan filing and the annual revenue requirement related to the purchase of power from the Perryville generating station, and increases for Entergy Texas related to an incremental purchased capacity recovery rider that began in December 2005 and a transition to competition rider that began in March 2006. The Attala costs variance is due to the recovery of Attala power plant costs at Entergy Mississippi through the power management rider. The net income effect of the Attala cost recovery is partially offset by Attala costs in other operation and maintenance expenses, depreciation expense, and taxes other than income taxes.

The fuel recovery variance resulted primarily from adjustments of fuel clause recoveries for Entergy Gulf States Louisiana and increased recovery in 2006 of fuel costs from retail and special rate customers.

The pass-through rider revenue variance is due to a change in 2006 in the accounting for city franchise tax revenues in Arkansas as directed by the Arkansas Public Service Commission (APSC). The change results in an increase in rider revenue with a corresponding increase in taxes other than income taxes, resulting in no effect on net income.

The transmission revenue variance is primarily due to new transmission customers in 2006. Also contributing to the increase was an increase in rates effective June 2006.

The storm cost recovery variance is due to the return earned on the interim recovery of storm-related costs at Entergy Louisiana and Entergy Gulf States Louisiana in 2006 as allowed by the LPSC. The storm cost recovery filings are discussed in Note 2 to the financial statements.

The volume/weather variance resulted from an increase of 1.7% in electricity usage primarily in the industrial sector. The increase was partially offset by the effect of less favorable weather on billed sales in the residential sector, compared to the same period in 2005, and a decrease in usage during the unbilled period.

The price applied to unbilled sales variance is due to the exclusion in 2006 of the fuel cost component in the calculation of the price applied to unbilled sales. Effective January 1, 2006, the fuel cost component is no longer included in the unbilled revenue calculation at Entergy Louisiana and Entergy Gulf States Louisiana, which is in accordance with regulatory treatment. See "Management's Financial Discussion And Analysis - Critical Accounting Estimates" herein.

The purchased power capacity variance is primarily due to higher capacity charges and new purchased power contracts in 2006. A portion of the variance is due to the amortization of deferred capacity costs and is offset in base revenues due to base rate increases implemented to recover incremental deferred and ongoing purchased power capacity charges, as discussed above.

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear primarily due to higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2006 due to power uprates completed in 2005 and 2006 at certain plants and fewer refueling outages in 2006. Following are key performance measures for Non-Utility Nuclear for 2006 and 2005:

| | 2006 | 2005 |
|------------------------------------|---------|---------|
| Net MW in operation at December 31 | 4,200 | 4,105 |
| Average realized price per MWh | \$44.33 | \$42.26 |
| GWh billed | 34,847 | 33,641 |
| Capacity factor for the period | 95% | 93% |

Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased for the Utility from \$1,471 million in 2005 to \$1,649 million in 2006 primarily due to the following:

- an increase of \$52 million in payroll, payroll-related, and benefits costs;
- an increase of \$20 million in nuclear costs as a result of higher NRC fees, security costs, labor-related costs, and a non-refueling plant outage at Entergy Gulf States, Inc. in February 2006;
- an increase of \$16 million in customer service support costs due to an increase in contract costs and an increase in customer write-offs;
- the receipt in 2005 of proceeds of \$16 million from a settlement, which is discussed further in "Significant Factors And Known Trends - Central States Compact Claim;"

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

- an increase of \$16 million in fossil operating costs due to the purchase of the Attala plant in January 2006 and the Perryville plant coming online in July 2005;
- an increase of \$12 million related to storm reserves. This increase does not include costs associated with Hurricanes Katrina and Rita; and
- an increase of \$12 million due to a return to normal expense patterns in 2006 versus the deferral or capitalization of storm costs in 2005.

Other operation and maintenance expenses increased for Non-Utility Nuclear from \$588 million in 2005 to \$637 million in 2006 primarily due to the timing of refueling outages, increased benefit and insurance costs, and increased NRC fees.

Taxes Other Than Income Taxes

Taxes other than income taxes increased for the Utility from \$322 million in 2005 to \$361 million in 2006 primarily due to an increase in city franchise taxes in Arkansas due to a change in 2006 in the accounting for city franchise tax revenues as directed by the APSC. The change results in an increase in taxes other than income taxes with a corresponding increase in rider revenue, resulting in no effect on net income. Also contributing to the increase was higher franchise tax expense at Entergy Gulf States, Inc. as a result of higher gross revenues in 2006 and a customer refund in 2005.

Other Income

Other income increased for the Utility from \$111 million in 2005 to \$156 million in 2006 primarily due to carrying charges recorded on storm restoration costs.

Other income increased for Non-Utility Nuclear primarily due to miscellaneous income of \$27 million (\$16.6 million net-of-tax) resulting from a reduction in the decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of a plant will begin.

Other income increased for Parent & Other primarily due to a gain related to its Entergy-Koch investment of approximately \$55 million (net-of-tax) in the fourth quarter of 2006. In 2004, Entergy-Koch sold its energy trading and pipeline businesses to third parties. At that time, Entergy received \$862 million of the sales proceeds in the form of a cash distribution by Entergy-Koch. Due to the November 2006 expiration of contingencies on the sale of Entergy-Koch's trading business, and the corresponding release to Entergy-Koch of sales proceeds held in escrow, Entergy received additional cash distributions of approximately \$163 million during the fourth quarter of 2006 and recorded a gain of approximately \$55 million (net-of-tax). Entergy expects future cash distributions upon liquidation of the partnership will be less than \$35 million.

Interest Charges

Interest charges increased for the Utility and Parent & Other primarily due to additional borrowing to fund the significant storm restoration costs associated with Hurricanes Katrina and Rita.

Discontinued Operations

In April 2006, Entergy sold the retail electric portion of the Competitive Retail Services business operating in the Electric Reliability Council of Texas (ERCOT) region of Texas, and now reports this portion of the business as a discontinued operation. Earnings for 2005 were negatively affected by \$44.8 million (net-of-tax) of discontinued operations due to the planned sale. This amount includes a net charge of \$25.8 million (net-of-tax) related to the impairment reserve for the remaining net book value of the Competitive Retail Services business' information technology systems. Results for 2006 include an \$11.1 million gain (net-of-tax) on the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas.

Income Taxes

The effective income tax rates for 2006 and 2005 were 27.6% and 36.6%, respectively. The lower effective income tax rate in 2006 is primarily due to tax benefits, net of reserves, resulting from the tax capital loss recognized in connection with the liquidation of Entergy Power International Holdings, Entergy's holding company for Entergy-Koch. Also contributing to the lower rate for 2006 is an IRS audit settlement that allowed Entergy to release from its tax reserves all settled issues relating to 1996-1998 audit cycle. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

LIQUIDITY AND CAPITAL RESOURCES

This section discusses Entergy's capital structure, capital spending plans and other uses of capital, sources of capital, and the cash flow activity presented in the cash flow statement.

CAPITAL STRUCTURE

Entergy's capitalization is balanced between equity and debt, as shown in the following table. The increase in the debt to capital percentage from 2006 to 2007 is primarily the result of additional borrowings under Entergy Corporation's revolving credit facility, along with a decrease in shareholders' equity primarily due to repurchases of common stock. This increase in the debt to capital percentage is in line with Entergy's financial and risk management aspirations. The decrease in the debt to capital percentage from 2005 to 2006 is the result of an increase in shareholders' equity, primarily due to an increase in retained earnings, partially offset by repurchases of common stock.

| | 2007 | 2006 | 2005 |
|--|-------|-------|-------|
| Net debt to net capital at the end of the year | 54.6% | 49.4% | 51.5% |
| Effect of subtracting cash from debt | 3.0% | 2.9% | 1.6% |
| Debt to capital at the end of the year | 57.6% | 52.3% | 53.1% |

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, preferred stock with sinking fund, and long-term debt, including the currently maturing portion. Capital consists of debt, shareholders' equity, and preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS *CONTINUED*

Long-term debt, including the currently maturing portion, makes up substantially all of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2007. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2007. The figures below include payments on the Entergy Louisiana and System Energy sale-leaseback transactions, which are included in long-term debt on the balance sheet (in millions):

| Long-term Debt Maturities and Estimated Interest Payments | 2008 | 2009 | 2010 | 2011- 2012 | After 2012 |
|--|----------------|----------------|----------------|----------------|----------------|
| Utility | \$1,214 | \$ 610 | \$1,026 | \$1,236 | \$7,189 |
| Non-Utility Nuclear | 36 | 36 | 36 | 68 | 161 |
| Parent Company & Other | | | | | |
| Business Segments | 452 | 474 | 456 | 3,052 | - |
| Total | \$1,702 | \$1,120 | \$1,518 | \$4,356 | \$7,350 |

Note 5 to the financial statements provides more detail concerning long-term debt.

In August 2007, Entergy Corporation entered into a \$3.5 billion, five-year credit facility, and terminated the two previously existing facilities, a \$2 billion five-year revolving credit facility that was due to expire in May 2010 and a \$1.5 billion three-year revolving credit facility that was due to expire in December 2008. Entergy Corporation has the ability to issue letters of credit against the total borrowing capacity of the facility. The weighted average interest rate as of December 31, 2007 was 5.524% on the drawn portion of the facility. The facility fee is currently 0.09% of the commitment amount. The facility fee and interest rate can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation.

As of December 31, 2007, amounts outstanding under the \$3.5 billion credit facility are (in millions):

| Capacity | Borrowings | Letters of Credit | Capacity Available |
|----------|------------|-------------------|--------------------|
| \$3,500 | \$2,251 | \$69 | \$1,180 |

Entergy Corporation's credit facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this ratio, or if Entergy or one of the Registrant Subsidiaries (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility maturity date may occur.

Capital lease obligations, including nuclear fuel leases, are a minimal part of Entergy's overall capital structure, and are discussed further in Note 10 to the financial statements. Following are Entergy's payment obligations under those leases (in millions):

| | 2008 | 2009 | 2010 | 2011- 2012 | After 2012 |
|--|-------|-------|------|---------------|---------------|
| Capital lease payments, including nuclear fuel leases | \$153 | \$213 | \$2 | \$3 | \$2 |

Notes payable includes borrowings outstanding on credit facilities with original maturities of less than one year. Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas each had credit facilities available as of December 31, 2007 as follows (with the exception of the Entergy Texas facility, which is expected to become available in March 2008 after the fulfillment of certain closing conditions) (amounts in millions):

| Company | Expiration Date | Amount of Facility | Interest Rate ^(a) | Amount Drawn as of Dec. 31, 2007 |
|----------------------------------|--------------------|-----------------------|---------------------------------|-------------------------------------|
| Entergy Arkansas | April 2008 | \$100 ^(b) | 6.75% | - |
| Entergy Gulf States Louisiana | August 2012 | \$100 ^(c) | 5.025% | - |
| Entergy Louisiana | August 2012 | \$200 ^(d) | 4.96% | - |
| Entergy Mississippi | May 2008 | \$ 30 ^(e) | 5.85% | - |
| Entergy Mississippi | May 2008 | \$ 20 ^(e) | 5.85% | - |
| Entergy Texas | August 2012 | \$100 ^(f) | 5.025% | - |

- (a) The interest rate is the weighted average interest rate as of December 31, 2007 that would be applied to the outstanding borrowings under the facility.
- (b) The credit facility requires Entergy Arkansas to maintain a total shareholders' equity of at least 25% of its total assets.
- (c) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility requires Entergy Gulf States Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the amount of debt assumed by Entergy Texas is excluded from debt and capitalization in calculating the debt ratio.
- (d) The credit facility allows Entergy Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit agreement requires Entergy Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization.
- (e) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable.
- (f) The credit facility allows Entergy Texas to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility requires Entergy Texas to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the transition bonds issued by Entergy Gulf States Reconstruction Funding I, LLC are excluded from debt and capitalization in calculating the debt ratio.

In August 2007, Entergy Gulf States, Inc. entered into a \$200 million, 5-year bank credit facility, with the ability to issue letters of credit against the facility. As of December 31, 2007, the Entergy Gulf States, Inc. credit facility split into the two separate credit facilities shown above, a \$100 million credit facility available to Entergy Gulf States Louisiana and a \$100 million credit facility for Entergy Texas.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS (CONTINUED)

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition or results of operations. Following are Entergy's payment obligations as of December 31, 2007 on non-cancelable operating leases with a term over one year (in millions):

| | 2008 | 2009 | 2010 | 2011- 2012 | After 2012 |
|--------------------------|------|-------|------|---------------|---------------|
| Operating lease payments | \$99 | \$139 | \$61 | \$76 | \$133 |

The operating leases are discussed more thoroughly in Note 10 to the financial statements.

Summary of Contractual Obligations of Consolidated Entities

| Contractual Obligations | 2008 | 2009- 2010 | 2011- 2012 | After 2012 | Total |
|---------------------------------------|---------|---------------|---------------|---------------|----------|
| Long-term debt ⁽¹⁾ | \$1,702 | \$2,638 | \$4,356 | \$7,350 | \$16,046 |
| Capital lease payments ⁽²⁾ | \$ 153 | \$ 215 | \$ 3 | \$ 2 | \$ 373 |
| Operating leases ⁽³⁾ | \$ 99 | \$ 200 | \$ 76 | \$ 133 | \$ 508 |
| Purchase obligations ⁽³⁾ | \$1,457 | \$2,465 | \$1,502 | \$2,930 | \$ 8,354 |

(1) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.

(2) Capital lease payments include nuclear fuel leases. Lease obligations are discussed in Note 10 to the financial statements.

(3) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. Almost all of the total are fuel and purchased power obligations.

In addition to the contractual obligations, in 2008, Entergy expects to contribute \$226 million to its pension plans and \$69.6 million to other postretirement plans. Guidance pursuant to the Pension Protection Act of 2006 rules, effective for the 2008 plan year and beyond, may affect the level of Entergy's pension contributions in the future. Also in addition to the contractual obligations, Entergy has \$2.122 billion of unrecognized tax benefits and interest for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

Capital Funds Agreement

Pursuant to an agreement with certain creditors, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

CAPITAL EXPENDITURE PLANS AND OTHER USES OF CAPITAL

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2008 through 2010 (in millions):

| Planned Construction and Capital Investments | 2008 | 2009 | 2010 |
|--|----------------|----------------|----------------|
| Maintenance capital: | | | |
| Utility | \$ 864 | \$ 807 | \$ 811 |
| Non-Utility Nuclear | 78 | 78 | 78 |
| Parent & Other | 2 | - | - |
| | 944 | 885 | 889 |
| Capital commitments: | | | |
| Utility | 1,033 | 846 | 675 |
| Non-Utility Nuclear | 207 | 189 | 248 |
| | 1,240 | 1,035 | 923 |
| Total | \$2,184 | \$1,920 | \$1,812 |

Maintenance Capital refers to amounts Entergy plans to spend on routine capital projects that are necessary to support reliability of its service, equipment, or systems and to support normal customer growth.

Capital Commitments refers to non-routine capital investments for which Entergy is either contractually obligated, has Board approval, or otherwise expects to make to satisfy regulatory or legal requirements. Amounts reflected in this category include the following:

- The potential construction or purchase of additional generation supply sources within the Utility's service territory through the Utility's supply plan initiative, including Entergy Louisiana's Little Gypsy Unit 3 repowering project, Entergy Arkansas' pending acquisition of the 789 MW gas-fired Ouachita power plant, each of which are discussed below, and Entergy Gulf States Louisiana's pending \$66 million (including related investments) purchase of the Calcasieu plant, a 322 MW simple-cycle gas-fired power plant.
- Entergy Louisiana's Waterford 3 steam generators replacement project, which is discussed below.
- Transmission improvements and upgrades designed to provide improved transmission flexibility in the Entergy System.
- Initial development costs for potential new nuclear development at the Grand Gulf and River Bend sites, including licensing and design activities. This project is in the early stages, and several issues remain to be addressed over time before significant capital would be committed to this project.
- Nuclear dry cask spent fuel storage and license renewal projects at certain nuclear sites.
- Environmental compliance spending, including \$24 million for installation of scrubbers and low NOx burners at Entergy Arkansas' White Bluff coal plant. The project is still in the planning stages and has not been designed, but the latest conceptual cost estimate indicates Entergy Arkansas' share of the project could cost approximately \$375 million, including \$195 million over the 2008-2010 period. Entergy continues to review potential additional environmental spending needs and financing alternatives for any such spending, and future spending estimates could change based on the results of this continuing analysis.
- New York Power Authority (NYPA) value sharing costs.

The Utility's generating capacity remains short of customer demand, and its supply plan initiative will continue to seek to transform its generation portfolio with new or repowered generation resources. Opportunities resulting from the supply plan initiative, including new projects or the exploration of alternative financing sources, could result in increases or decreases in the capital expenditure estimates given above. In addition, the planned construction and capital investments estimates shown above do not include the costs associated with the

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

potential interconnection between Entergy Texas and ERCOT that is discussed in Note 2 to the financial statements. These potential interconnection costs are currently estimated to be approximately \$1 billion. Estimated capital expenditures are also subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints, environmental regulations, business opportunities, market volatility, economic trends, and the ability to access capital.

In April 2007, Entergy's Non-Utility Nuclear business purchased the 798 MW Palisades nuclear energy plant located near South Haven, Michigan from Consumers Energy Company for a net cash payment of \$336 million. Entergy received the plant, nuclear fuel, inventories, and other assets. The liability to decommission the plant, as well as related decommissioning trust funds, was also transferred to Entergy's Non-Utility Nuclear business. Entergy's Non-Utility Nuclear business executed a unit-contingent, 15-year purchased power agreement (PPA) with Consumers Energy for 100% of the plant's output, excluding any future uprates. Prices under the PPA range from \$43.50/MWh in 2007 to \$61.50/MWh in 2022, and the average price under the PPA is \$51/MWh. In the first quarter 2007, the NRC renewed Palisades' operating license until 2031. Also as part of the transaction, Entergy's Non-Utility Nuclear business assumed responsibility for spent fuel at the decommissioned Big Rock Point nuclear plant, which is located near Charlevoix, Michigan. Palisades' financial results since April 2007 are included in Entergy's Non-Utility Nuclear business segment. See Note 15 to the financial statements herein for a discussion of the purchase price allocation and the amortization to revenue of the below-market PPA.

In April 2007, Entergy Louisiana announced that it plans to pursue the solid fuel repowering of a 538 MW unit at its Little Gypsy plant. Petroleum coke and coal will be the unit's primary fuel sources. In July 2007, Entergy Louisiana filed with the LPSC for approval of the repowering project, and stated that it expects to spend \$1.55 billion on the project. In addition to seeking a finding that the project is in the public interest, the filing with the LPSC asks that Entergy Louisiana be allowed to recover a portion of the project's financing costs during the construction period. Hearings were held in October 2007, and the LPSC approved the certification of the project in November 2007, subject to several conditions. One of the conditions is the development and approval of a construction monitoring plan. The approval allowed Entergy Louisiana to order equipment, such as boiler and piping components, so that components can be manufactured to keep the project on schedule. A decision regarding whether to allow Entergy Louisiana to recover a portion of the project's financing costs during the construction period was deferred to Phase II of the proceedings. In December 2007, Entergy Louisiana filed testimony in the Phase II proceeding seeking financing cost recovery and proposing a procedure for synchronizing future base rate recovery by a formula rate plan or base rate filing of the project's non-fuel costs. Phase II hearings are scheduled to begin in May 2008. In December 2007, Entergy Louisiana signed a target cost contract with the engineering, procurement, and construction services contractor, and issued the contractor a notice to proceed with construction. Entergy Louisiana expects the project to be completed in 2012.

In July 2007, Entergy Arkansas announced that it had signed an agreement to purchase the Ouachita Generating Facility, a 789 MW power plant, from a subsidiary of Cogentrix Energy, Inc., for \$210 million. The facility is a combined-cycle gas-fired generating facility located near the city of Sterlington in northern Louisiana. The facility entered commercial service in 2002. Entergy Arkansas plans to invest approximately \$40 million in spare parts purchases and plant improvements, and has estimated transaction costs and contingencies

of \$6 million. The acquisition also may require transmission upgrades in order for the facility to qualify as a network resource, which costs were recently estimated by the Independent Coordinator of Transmission for the Entergy System to be approximately \$70 million, subject to additional evaluation. The Ouachita plant will be 100 percent owned by Entergy Arkansas, and the acquisition is expected to close in 2008. It is planned that, as part of the transaction, Entergy Gulf States Louisiana will purchase one-third of the capacity and output of the facility from Entergy Arkansas. The purchase of the plant is contingent upon obtaining necessary approvals, including full cost recovery, from various federal and state regulatory and permitting agencies. Entergy Arkansas filed with the APSC in September 2007 for its approval of the acquisition, including full cost recovery. The APSC Staff and the Arkansas attorney general have supported Entergy Arkansas' acquisition of the plant, but oppose the sale of one-third of the capacity and energy to Entergy Gulf States Louisiana. The industrial group Arkansas Electric Energy Consumers (AEEC) has opposed Entergy Arkansas' purchase of the plant. The Arkansas attorney general has opposed recovery of the non-fuel costs of the plant through a separate rider, while the APSC Staff recommended revisions to the rider. In December 2007, the APSC issued an order approving recovery through a rider of the capacity costs associated with the interim tolling agreement, which will be in effect until APSC action on the acquisition of the plant. The APSC has scheduled a hearing in April 2008 to address Entergy Arkansas' request for acquisition of the plant and concurrent cost recovery. In January 2008 the FERC issued an order authorizing the acquisition. In November 2007, Entergy Gulf States Louisiana filed a request with the LPSC for authorization to purchase one-third of the capacity and energy of the Ouachita plant during the term of the interim tolling agreement and for authorization to purchase one-third of the plant's capacity and energy on a life-of-unit basis after the plant's acquisition. In January 2008 the LPSC approved the recovery of costs associated with the interim tolling agreement. An LPSC hearing on approval of the purchase of one-third of the plant's capacity and energy on a life-of-unit basis is scheduled for June 2008.

Entergy Louisiana plans to replace the Waterford 3 steam generators, along with the reactor vessel closure head and control element drive mechanisms, in 2011. Replacement of these components is common to pressurized water reactors throughout the nuclear industry. The nuclear industry continues to address susceptibility to stress corrosion cracking of certain materials associated with these components within the reactor coolant system. The issue is applicable to Waterford 3 and is managed in accordance with standard industry practices and guidelines. Routine inspections of the steam generators during Waterford 3's Fall 2006 refueling outage identified degradation of certain tube spacer supports in the steam generators that required repair beyond that anticipated prior to the outage. Corrective measures were successfully implemented to permit continued operation of the steam generators. While potential future replacement of these components had been contemplated, additional steam generator tube and component degradation necessitates replacement of the steam generators as soon as reasonably achievable. The earliest the new steam generators can be manufactured and delivered for installation is 2011. A mid-cycle outage performed in 2007 supports Entergy's 2011 replacement strategy. The reactor vessel head and control element drive mechanisms will be replaced at the same time, utilizing the same reactor building construction opening that is necessary for the steam generator replacement. Entergy Louisiana estimates that it will spend approximately \$485 million on this project.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED**Dividends and Stock Repurchases**

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon Entergy's earnings, financial strength, and future investment opportunities. At its January 2008 meeting, the Board declared a dividend of \$0.75 per share, which is the same quarterly dividend per share that Entergy paid in the third and fourth quarter 2007. The prior quarterly dividend per share was \$0.54. Entergy paid \$507 million in 2007 and \$449 million in 2006 in cash dividends on its common stock.

In accordance with Entergy's stock-based compensation plan, Entergy periodically grants stock options to its key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plan, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of grants under the plans.

In addition to the authority to fund grant exercises, in January 2007 the Board approved a program under which Entergy is authorized to repurchase up to \$1.5 billion of its common stock, which Entergy expects to complete in 2008. As of December 31, 2007, \$997 million of share repurchases have been made pursuant to this program. In January 2008, the Board authorized an incremental \$500 million share repurchase program to enable Entergy to consider opportunistic purchases in response to equity market conditions. Entergy's financial aspirations following the consummation of the planned Non-Utility Nuclear spin-off include a potential new share repurchase program targeted at \$2.5 billion. The amount of this potential program to follow completion of the spin-off is expected to be reduced by the amount of repurchases made pursuant to the January 2008 incremental program.

The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities.

The Board had previously approved a program under which Entergy was authorized to repurchase up to \$1.5 billion of its common stock through 2006. Entergy completed this program in the fourth quarter 2006.

Entergy New Orleans Debtor-in-Possession Credit Facility

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. The credit facility provided for up to \$200 million in loans. The interest rate on borrowings under the credit facility was the average interest rate of borrowings outstanding under Entergy Corporation's revolving credit facility. With the confirmation of Entergy New Orleans' plan of reorganization in May 2007, Entergy New Orleans repaid to Entergy Corporation, in full, in cash, the \$67 million of outstanding borrowings under the debtor-in-possession credit facility.

SOURCES OF CAPITAL

Entergy's sources to meet its capital requirements and to fund potential investments include:

- internally generated funds;
- cash on hand (\$1.27 billion as of December 31, 2007);
- securities issuances;
- bank financing under new or existing facilities; and
- sales of assets.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In the following section, Entergy's cash flow activity for the previous three years is discussed.

Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. As of December 31, 2007, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of \$396.4 million and \$121.6 million, respectively. All debt and common and preferred equity issuances by the Registrant Subsidiaries require prior regulatory approval and their preferred equity and debt issuances are also subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. The Registrant Subsidiaries have sufficient capacity under these tests to meet foreseeable capital needs.

The FERC has jurisdiction over authorizing securities issuances by the Utility operating companies and System Energy (except securities with maturities longer than one year issued by Entergy Arkansas and Entergy New Orleans, which are subject to the jurisdiction of the APSC and the City Council, respectively). No approvals are necessary for Entergy Corporation to issue securities. The FERC has issued orders (FERC Short-Term Orders) approving the short-term borrowing limits of the Utility operating companies and System Energy through March 31, 2008 (except Entergy New Orleans, which is effective through May 4, 2009, and Entergy Gulf States Louisiana and Entergy Texas, which are effective through November 8, 2009). In January 2008, Entergy filed an application with the FERC to extend the authorization period for its current short-term borrowing limits and money pool borrowing arrangement until March 2010 (except for Entergy Gulf States Louisiana and Entergy Texas). Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have obtained long-term financing authorization from the FERC, and Entergy Arkansas has obtained long-term financing authorization from the APSC. The long-term securities issuances of Entergy New Orleans are limited to amounts authorized by the City Council, and it intends to file a request during 2008 for renewal of its authority. In addition to borrowings from commercial banks, the FERC Short-Term Orders authorized the Registrant Subsidiaries to continue as participants in the Entergy System money pool. The money pool is an intercompany borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short-term borrowings combined may not exceed authorized limits. As of December 31, 2007, Entergy's subsidiaries' aggregate moneypool and external short-term borrowings authorized limit was \$2.1 billion, the aggregate outstanding borrowing from the money pool was \$346.1 million, and Entergy's subsidiaries had no outstanding short-term borrowings from external sources. See Note 4 to the financial statements for further discussion of Entergy's short-term borrowing limits.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED**CASH FLOW ACTIVITY**

As shown in Entergy's Statements of Cash Flows, cash flows for the years ended December 31, 2007, 2006, and 2005 were as follows (in millions):

| | 2007 | 2006 | 2005 |
|---|-----------------|-----------------|---------------|
| Cash and Cash Equivalents at Beginning of Period | \$ 1,016 | \$ 583 | \$ 620 |
| Effect of re consolidating | | | |
| Entergy New Orleans in 2007 | 17 | - | - |
| Effect of de consolidating | | | |
| Entergy New Orleans in 2005 | - | - | (8) |
| Cash flow provided by (used in): | | | |
| Operating activities | 2,560 | 3,448 | 1,468 |
| Investing activities | (2,098) | (1,928) | (1,992) |
| Financing activities | (222) | (1,084) | 496 |
| Effect of exchange rates on cash and cash equivalents | - | (3) | (1) |
| Net increase (decrease) in cash and cash equivalents | 240 | 433 | (29) |
| Cash and Cash Equivalents at End of Period | \$ 1,273 | \$ 1,016 | \$ 583 |

Operating Cash Flow Activity**2007 Compared to 2006**

Entergy's cash flow provided by operating activities decreased by \$888 million in 2007 compared to 2006. Following are cash flows from operating activities by segment:

- Utility provided \$1,809 million in cash from operating activities in 2007 compared to providing \$2,592 million in 2006, primarily due to decreased collection of fuel costs, the catch-up in receivable collections in 2006 due to delays caused by the hurricanes in 2005, and the receipt of an income tax refund in 2006 compared to income tax payments being made in 2007, partially offset by the receipt of \$181 million of Community Development Block Grant funds by Entergy New Orleans in 2007, significant storm restoration spending in 2006, and a decrease of \$118 million in the amount of pension funding payments in 2007.
- Non-Utility Nuclear provided \$880 million in cash from operating activities in 2007 compared to providing \$833 million in 2006. The increase is due to the cash flows attributable to higher net revenue, offset by the receipt of income tax refunds in 2006, compared to income tax payments being made in 2007, and spending associated with four refueling outages in 2007 compared to two in 2006.
- Parent & Other used \$87 million in cash in operating activities in 2007 compared to providing \$116 million in 2006, primarily due to the receipt of \$96 million in dividends from Entergy-Koch in 2006 and an increase in interest payments in 2007 by Entergy Corporation.

2006 Compared to 2005

Entergy's cash flow provided by operating activities increased by \$1,980 million in 2006 compared to 2005 primarily due to the following activity:

- Utility provided \$2,592 million in cash from operating activities in 2006 compared to providing \$964 million in 2005 primarily due to increased recovery of fuel costs, the receipt of an income tax refund (discussed below), a decrease in storm restoration spending, and the effect in 2005 of a \$90 million refund paid to customers in Louisiana, partially offset by an increase of \$136 million in pension funding payments.
- Non-Utility Nuclear provided \$833 million in cash from operating activities in 2006 compared to providing \$551 million in 2005 primarily due to an increase in net revenue and the receipt of an income tax refund (discussed below).

Entergy Corporation received a \$344 million income tax refund (including \$71 million attributable to Entergy New Orleans) as a result of net operating loss carryback provisions contained in the Gulf Opportunity Zone Act of 2005. The Gulf Opportunity Zone Act was enacted in December 2005. The Act contains provisions that allow a public utility incurring a net operating loss as a result of Hurricane Katrina to carry back the casualty loss portion of the net operating loss ten years to offset previously taxed income. The Act also allows a five-year carry back of the portion of the net operating loss attributable to Hurricane Katrina repairs expense and first year depreciation deductions, including 50% bonus depreciation, on Hurricane Katrina capital expenditures. In accordance with Entergy's intercompany tax allocation agreement, \$273 million of the refund was distributed to the Utility (including Entergy New Orleans) in April 2006, with the remainder distributed primarily to Non-Utility Nuclear.

Investing Activities**2007 Compared to 2006**

Net cash used in investing activities increased by \$170 million in 2007 compared to 2006. The following activity is notable in comparing 2007 to 2006:

- Construction expenditures were \$55 million lower in 2007 than in 2006, primarily due to a decrease of \$44 million in Non-Utility Nuclear spending.
- In 2006, Entergy received proceeds from the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and the sale of the non-nuclear wholesale asset business' remaining interest in a power development project.
- Non-Utility Nuclear purchased the Palisades power plant in April 2007.
- Entergy Mississippi purchased the Attala power plant in January 2006.
- Insurance proceeds received increased by \$64 million in 2007 because of payments received on Hurricane Katrina and Hurricane Rita claims.

2006 Compared to 2005

Net cash used in investing activities decreased slightly in 2006 compared to 2005 and was affected by the following activity:

- The proceeds from the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and the sale of the non-nuclear wholesale asset business' remaining interest in a power development project.
- Entergy Mississippi purchased the Attala power plant in January 2006 and Entergy Louisiana purchased the Perryville power plant in June 2005.
- Liquidation of other temporary investments net of purchases provided \$188 million in 2005. Entergy had no activity in other temporary investments in 2006.
- The Utility used \$390 million in 2005 for other regulatory investments as a result of fuel cost under-recovery. See Note 1 to the financial statements for discussion of the accounting treatment of these fuel cost under-recoveries.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

Financing Activities

2007 Compared to 2006

Net cash used in financing activities decreased by \$862 million in 2007 compared to 2006. The following activity is notable in comparing 2007 to 2006:

- Entergy Corporation increased the net borrowings under its credit facility by \$1,431 million in 2007, compared to increasing the net borrowings under its credit facilities by \$35 million in 2006. See Note 4 to the financial statements for a description of the Entergy Corporation credit facility.
- A subsidiary of Entergy Texas issued \$329.5 million of securitization bonds in June 2007. See Note 5 to the financial statements for additional information regarding the securitization bonds.
- Entergy Mississippi redeemed \$100 million of first mortgage bonds in 2007 and issued \$100 million of first mortgage bonds in 2006.
- Entergy Corporation repurchased \$1,216 million of its common stock in 2007, and repurchased \$584 million of its common stock in 2006.
- Entergy Louisiana Holdings, Inc. redeemed all \$100.5 million of its outstanding preferred stock in June 2006.

2006 Compared to 2005

Net cash used in financing activities was \$1,084 million in 2006 compared to net cash flow provided by financing activities of \$496 million in 2005. Following is a description of the significant financing activity affecting this comparison:

- Entergy Louisiana Holdings, Inc. redeemed all \$100.5 million of its outstanding preferred stock in June 2006.
- Entergy Corporation increased the net borrowings on its credit facilities by \$35 million in 2006 and increased the net borrowings by \$735 million in 2005. See Note 4 to the financial statements for a description of the Entergy Corporation credit facilities.
- Net issuances of long-term debt by the Utility provided \$50 million in 2006 and provided \$462 million in 2005. See Note 5 to the financial statements for the details of long-term debt.
- Entergy Corporation repurchased \$584 million of its common stock in 2006 and \$878 million of its common stock in 2005.

SIGNIFICANT FACTORS AND KNOWN TRENDS

Following are discussions of significant factors and known trends affecting Entergy's business, including rate regulation and fuel-cost recovery, federal regulation, and market and credit risk sensitive instruments.

STATE AND LOCAL RATE REGULATION AND FUEL-COST RECOVERY

The rates that the Utility operating companies and System Energy charge for their services significantly influence Entergy's financial position, results of operations, and liquidity. These companies are regulated and the rates charged to their customers are determined in regulatory proceedings. Governmental agencies, including the APSC, the City Council, the LPSC, the MPSC, the Public Utility Commission of Texas (PUCT), and the FERC, are primarily responsible for approval of the rates charged to customers. Following is a summary of base rate and related proceedings, and proceedings involving Hurricane Katrina and Hurricane Rita cost recovery. These proceedings are discussed in more detail in Note 2 to the financial statements.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

Company Authorized ROE Pending Proceedings/Events

| | | |
|-------------------------------|------------------------------------|--|
| Entergy Arkansas | 9.9% | <ul style="list-style-type: none"> In August 2006, Entergy Arkansas filed with the APSC a request for a change in base rates. Entergy Arkansas requested a general base rate increase (using an ROE of 11.25%), which it subsequently adjusted to a request for a \$106.5 million annual increase. In June 2007, after hearings on the filing, the APSC ordered Entergy Arkansas to reduce its annual rates by \$5 million, and set a return on common equity of 9.9% with a hypothetical common equity level lower than Entergy Arkansas' actual capital structure. The base rate change was implemented August 29, 2007, effective for bills rendered after June 15, 2007. Entergy Arkansas has appealed the rate case order. Base rates at the previous level had been in effect since 1998. |
| Entergy Texas | 10.95% | <ul style="list-style-type: none"> Base rates are currently set at rates approved by the PUCT in June 1999. Entergy Texas made a rate filing in September 2007 with the PUCT requesting an annual rate increase totaling \$107.5 million, including a base rate increase of \$64.3 million and special riders totaling \$43.2 million. The base rate increase includes \$12.2 million for the storm damage reserve. Entergy Texas is requesting an 11% return on common equity. In December 2007 the PUCT issued an order setting September 26, 2008 as the effective date for the rate change from the rate filing. The hearing on the rate case is scheduled for May 2008. Legislation enacted in June 2005 allowed Entergy Texas to file for rate relief through riders for incremental capacity costs (IPCR) and transition costs. In December 2005, the PUCT approved the recovery of \$18 million annual capacity costs, subject to reconciliation from September 2005. In January 2008, an agreement was filed with the PUCT to increase the IPCR to \$21 million and to add a surcharge for \$10.3 million of under-recovered costs, which the PUCT approved. In June 2006, the PUCT approved a settlement in the transition to competition (TTC) cost recovery case, allowing Entergy Texas to recover \$14.5 million per year in TTC costs over a 15-year period. On June 29, 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company wholly-owned and consolidated by Entergy Texas, issued \$329.5 million of senior secured transition (securitization) bonds. Entergy Texas began cost recovery through a transition charge in July 2007, and the transition charge is expected to remain in place over a 15-year period. |
| Entergy Gulf States Louisiana | 9.9% - 11.4% | <ul style="list-style-type: none"> A three-year formula rate plan is in place with an ROE mid-point of 10.65% for the initial three-year term of the plan. Entergy Gulf States Louisiana made its first formula rate plan (FRP) filing in June 2005 for the 2004 test year. On December 13, 2007, the LPSC Staff issued a final report on Entergy Gulf States Louisiana's FRP filing for the 2006 test year, indicating a \$1.6 million decrease in revenues for which interim rates were already in effect. In addition the Staff recommended that the LPSC agree to a one-year extension of the FRP to synchronize with the final year of Entergy Louisiana's FRP, or alternatively extend for a longer period. Entergy Gulf States Louisiana indicated it is amenable to a one-year extension. An uncontested stipulated settlement was filed in February 2008 that will leave the current base rates in place. In August 2007, the LPSC approved \$187 million as the balance of storm restoration costs for recovery and established \$87 million as a reserve for future storms, both to be securitized in the same amounts. In May 2006, Entergy Gulf States Louisiana completed the \$6 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, interim recovery shifted to the FRP at the rate of \$0.85 million per month. Interim recovery and carrying charges will continue until the securitization process is complete. |
| Entergy Louisiana | 9.45% - 11.05% | <ul style="list-style-type: none"> A three-year formula rate plan is in place with an ROE mid-point of 10.25% for the initial three-year term of the plan. Entergy Louisiana made its first formula rate plan (FRP) filing under this plan in May 2006 based on a 2005 test year. Entergy Louisiana continues to seek resolution of its 2006 and 2005 test year FRP filings. A hearing on the 2006 test year filing is scheduled for August 2008. The 2005 test year filing made in May 2006 indicated a 9.45% ROE, which is within the allowed bandwidth. Rates were implemented on September 28, 2006 subject to refund consisting of \$119 million for deferred and ongoing capacity costs and \$24 million for interim storm cost recovery. This increase reflects certain adjustments proposed by the LPSC Staff with which Entergy Louisiana agrees. The 2006 test year filing made in May 2007 indicated a 7.6% ROE. On September 27, 2007, Entergy Louisiana implemented an \$18.4 million increase, subject to refund, \$23.8 million representing a 60% adjustment to reach the bottom of the FRP band, net of \$5.4 million for reduced capacity costs. The LPSC will allow Entergy Louisiana to defer the difference between the \$39.8 million requested for unrecovered fixed costs for extraordinary customer losses associated with Hurricane Katrina and the \$23.8 million 60% adjustment as a regulatory asset, pending ultimate LPSC resolution of the 2006 FRP filing. On October 29, 2007, Entergy Louisiana implemented a \$7.1 million FRP decrease which is primarily due to the reclassification of certain franchise fees from base rates to collection via a line item on customers' bills pursuant to a LPSC order. In August 2007, the LPSC approved \$545 million as the balance of storm restoration costs for recovery and established \$152 million as a reserve for future storms, both to be securitized in the same amounts. In April 2006, Entergy Louisiana completed the \$14 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, interim recovery shifted to the FRP at the rate of \$2 million per month. Interim recovery and carrying charges will continue until the securitization process is complete. |
| Entergy Mississippi | 9.46% - 12.24% | <ul style="list-style-type: none"> An annual formula rate plan (FRP) is in place. The FRP allows Entergy Mississippi's earned ROE to increase or decrease within a bandwidth with no change in rates; earnings outside the bandwidth are allocated 50% to customers and 50% to Entergy Mississippi, but on a prospective basis only. The plan also provides for performance incentives that can increase or decrease the benchmark ROE by as much as 100 basis points. The MPSC approved a joint stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff on June 6, 2007, calling for a \$10.5 million increase effective with July billings for Entergy Mississippi's 2006 test year FRP filing. In December 2005, the MPSC approved the purchase of the Attala power plant and ordered interim recovery. In October 2006, the MPSC approved Entergy Mississippi's filing to revise the Power Management Rider Schedule to extend beyond 2006 recovery of Entergy Mississippi's Attala costs. In December 2006, the MPSC approved Entergy Mississippi's request to increase several fees (connect, reconnect, late payment and returned check) effective January 1, 2007. The Mississippi Development Corporation, an entity created by the state, issued securitization bonds. Entergy Mississippi received proceeds in the amount of \$48 million on May 31, 2007, reflecting recovery of \$8 million of storm restoration costs and \$40 million to increase Entergy Mississippi's storm reserve. To service the bonds, Entergy Mississippi is collecting a system restoration charge on behalf of the state and remitting collections to the state. In October 2006, Entergy Mississippi received \$81 million in CDBG funding, pursuant to MPSC orders approving recovery of \$89 million storm restoration costs. |
| Entergy New Orleans | 10.75% - Electric; 10.75% - Gas | <ul style="list-style-type: none"> In June 2006, Entergy New Orleans made its annual formula rate plan filings with the City Council. At the same time as it made its formula rate plan filings, Entergy New Orleans also filed with the City Council a request to implement two storm-related riders. With the first rider, Entergy New Orleans sought to recover the electric and gas restoration costs that it had actually spent through March 31, 2006. With the second rider, Entergy New Orleans sought to establish a storm reserve to provide for the risk of another storm. In October 2006, the City Council approved a settlement agreement that resolves Entergy New Orleans' rate and storm-related rider filings by providing for phased-in rate increases, while taking into account with respect to storm restoration costs the anticipated receipt of CDBG funding. The settlement provides for a 0% increase in electric base rates through December 2007, with a \$3.9 million increase implemented in January 2008. Recovery of all Grand Gulf costs through the fuel adjustment clause will continue. Gas base rates increased by \$4.75 million in November 2006 and increased by additional \$1.5 million in March 2007 and an additional \$4.75 million in November 2007. The settlement calls for Entergy New Orleans to file a base rate case by July 31, 2008. The settlement agreement discontinues the formula rate plan and the generation performance-based plan but permits Entergy New Orleans to file an application to seek authority to implement formula rate plan mechanisms no sooner than six months following the effective date of the implementation of the base rates resulting from the July 31, 2008 base rate case. Any storm costs in excess of CDBG funding and insurance proceeds will be addressed in that base rate case. The settlement also authorizes a \$75 million storm reserve for damage from future storms, which will be created over a ten-year period through a storm reserve rider beginning in March 2007. These storm reserve funds will be held in a restricted escrow account. In January 2008, Entergy New Orleans voluntarily implemented a 6.15% base rate credit for electric customers, which Entergy New Orleans estimates will return \$10.6 million to electric customers in 2008. Entergy New Orleans was able to implement this credit because the recovery of New Orleans after Hurricane Katrina has been occurring faster than expected. In April 2007, Entergy New Orleans executed an agreement with the Louisiana Office of Community Development under which \$200 million of CDBG funds will be made available to Entergy New Orleans. Entergy New Orleans has received \$180.8 million of the funds as of December 31, 2007, and under the agreement with the OCD, Entergy New Orleans expects to receive the remainder as it incurs and submits additional eligible costs. |
| System Energy | 10.94% | <ul style="list-style-type: none"> ROE approved by July 2001 FERC order. No cases pending before the FERC. |

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

In addition to the regulatory scrutiny connected with base rate proceedings, the Utility operating companies' fuel and purchased power costs recovered from customers are subject to regulatory scrutiny. The Utility operating companies' significant fuel and purchased power cost proceedings are described in Note 2 to the financial statements.

FEDERAL REGULATION

The FERC regulates wholesale rates (including Entergy Utility intrasystem energy exchanges pursuant to the System Agreement) and interstate transmission of electricity, as well as rates for System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement.

System Agreement Proceedings

Production Cost Equalization Proceeding Commenced by the LPSC

The Utility operating companies historically have engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which is a rate schedule that has been approved by the FERC. The LPSC has been pursuing litigation involving the System Agreement at the FERC. The proceeding includes challenges to the allocation of costs as defined by the System Agreement and raises questions of imprudence by the Utility operating companies in their execution of the System Agreement.

In June 2005, the FERC issued a decision in the System Agreement litigation that had been commenced by the LPSC, and essentially affirmed its decision in a December 2005 order on rehearing. The FERC decision concluded, among other things, that:

- The System Agreement no longer roughly equalizes total production costs among the Utility operating companies.
- In order to reach rough production cost equalization, the FERC will impose a bandwidth remedy by which each company's total annual production costs will have to be within +/- 11% of Entergy System average total annual production costs.
- In calculating the production costs for this purpose under the FERC's order, output from the Vidalia hydroelectric power plant will not reflect the actual Vidalia price for the year but is priced at that year's average price paid by Entergy Louisiana for the exchange of electric energy under Service Schedule MSS-3 of the System Agreement, thereby reducing the amount of Vidalia costs reflected in the comparison of the Utility operating companies' total production costs.
- The remedy ordered by FERC calls for no refunds and became effective based on calendar year 2006 production costs and the first potential reallocation payments were made in 2007.

The FERC's decision reallocates total production costs of the Utility operating companies whose relative total production costs expressed as a percentage of Entergy System average production costs are outside an upper or lower bandwidth. This will be accomplished by payments from Utility operating companies whose production costs are more than 11% below Entergy System average production costs to Utility operating companies whose production costs are more than the Entergy System average production cost, with payments going first to those Utility operating companies whose total production costs are farthest above the Entergy System average.

Assessing the potential effects of the FERC's decision requires assumptions regarding the future total production cost of each Utility operating company, which assumptions include the mix of solid fuel and gas-fired generation available to each company and the costs of

natural gas and purchased power. Entergy Louisiana, Entergy Gulf States Louisiana, Entergy Texas, and Entergy Mississippi are more dependent upon gas-fired generation sources than Entergy Arkansas or Entergy New Orleans. Of these, Entergy Arkansas is the least dependent upon gas-fired generation sources. Therefore, increases in natural gas prices likely will increase the amount by which Entergy Arkansas' total production costs are below the average total production costs of the Utility operating companies.

The LPSC, APSC, MPSC, and the AEEC have appealed the FERC decision to the Court of Appeals for the D.C. Circuit. Entergy and the City of New Orleans intervened in the various appeals. The D.C. Circuit held oral argument on the appeals in November 2007.

Entergy's Utility Operating Companies' Compliance Filing

In April 2006, the Utility operating companies filed with the FERC their compliance filing to implement the provisions of the FERC's decision. The filing amended the System Agreement to provide for the calculation of production costs, average production costs, and payments/receipts among the Utility operating companies to the extent required to maintain rough production cost equalization pursuant to the FERC's decision. The FERC accepted the compliance filing in November 2006, with limited modifications. The Utility operating companies filed a revised compliance plan in December 2006 implementing the provisions of the FERC's November order. In accordance with the FERC's order, the first payments/receipts were based on calendar year 2006 production costs, with the payments/receipts among the affected Utility operating companies made in seven monthly installments commencing in June 2007.

Various parties filed requests for rehearing of the FERC's order accepting the compliance filing. Among other things, the LPSC requested rehearing of the FERC's decision to have the first payments commence in June 2007, rather than earlier; to not require interest on the unpaid balance, and the FERC's decision with regard to the repricing of energy from the Vidalia hydroelectric project for purposes of calculating production cost disparities. Various Arkansas parties requested rehearing of the FERC's decision (1) to require payments be made over seven months, rather than 12; (2) on the application of the +/- 11% bandwidth; and (3) the FERC's decision to reject various accounting allocations proposed by the Utility operating companies. In April 2007, the FERC denied the requests for rehearing, with one exception regarding the issue of retrospective refunds. That issue will be addressed subsequent to the remanded proceeding involving the interruptible load decision discussed further below in this section under "Interruptible Load Proceeding." The LPSC appealed the decision to the D.C. Circuit Court of Appeals, and the Utility operating companies and the APSC intervened in that appeal.

Rough Production Cost Equalization Rates

In May 2007 Entergy filed with the FERC the rates to implement the FERC's orders in the System Agreement proceeding. The filing shows the following payments/receipts among the Utility operating companies for 2007, based on calendar year 2006 production costs, commencing for service in June 2007, are necessary to achieve rough production cost equalization as defined by the FERC's orders (in millions):

| | Payments or (Receipts) |
|---|------------------------|
| Entergy Arkansas | \$ 252 |
| Entergy Gulf States Louisiana (includes \$(30) million related to Entergy Texas) | \$(120) |
| Entergy Louisiana | \$(91) |
| Entergy Mississippi | \$(41) |
| Entergy New Orleans | \$ 0 |
| Entergy Texas | \$(30) |

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS *CONTINUED*

Several parties intervened in the rate proceeding at the FERC, including the APSC, the MPSC, the Council, and the LPSC, which have also filed protests. The PUCT also intervened. Certain Entergy Arkansas wholesale customers also intervened, raising issues regarding whether the bandwidth payments are properly reflected in the wholesale rate that Entergy Arkansas charges. The APSC, the MPSC, and the Council asked the FERC to confirm that the FERC did not intend to preempt a retail regulator from undertaking an independent prudence review of the production costs in setting retail rates, or ask the FERC to set the rough production cost equalization payments/receipts for hearing to allow the retail regulators the opportunity to evaluate the prudence of the underlying production costs. In July 2007, the FERC accepted the proposed rates for filing, allowed them to go into effect as of June 1, 2007, subject to refund, and set the filing, including the calculation and underlying production costs, for hearing and settlement procedures. Settlement procedures have been terminated, and the proceeding is set for hearing in May 2008.

Intervenors in the proceeding filed testimony on February 4, 2008 responding to the Utility operating companies' initial direct testimony. In its testimony, the LPSC argues that Entergy Arkansas was imprudent for failing to exercise a right of first refusal to repurchase up to 180 MW of the Independence plant in 1996 when Entergy Arkansas was offered the power by Entergy Power. According to the LPSC, Entergy Arkansas' failure to exercise this option has resulted in Entergy Arkansas' 2006 production costs being approximately \$29 million higher than they otherwise would have been. Another intervenor, AmerenUE, argues that its current wholesale power contract with Entergy Arkansas, pursuant to which Entergy Arkansas sells power to AmerenUE, does not permit Entergy Arkansas to flow through to AmerenUE any portion of Entergy Arkansas' bandwidth payment. According to AmerenUE, Entergy Arkansas has sought to collect from AmerenUE approximately \$14.5 million of the 2007 Entergy Arkansas bandwidth payment. The AmerenUE contract is scheduled to expire in August 2009. In addition to these allegations, several intervenors, including the LPSC, the FERC Staff, and the APSC have proposed various accounting changes designed to alter the allocation of costs among the Utility operating companies for purposes of calculating each Utility operating company's production costs. The Utility operating companies' rebuttal testimony is due April 28, 2008.

Entergy Arkansas paid \$36 million per month to Entergy Gulf States, Entergy Louisiana, and Entergy Mississippi for seven months, beginning in June 2007. Management believes that any changes in the allocation of production costs resulting from the FERC's decision and related retail proceedings should result in similar rate changes for retail customers. The APSC has approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas, but set a termination date of December 31, 2008 for the rider. In December 2007, the APSC issued a subsequent order stating the production cost allocation rider will remain in effect, and any future termination of the rider will be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing.

Based on the FERC's April 27, 2007 order on rehearing that is discussed above, in the second quarter 2007 Entergy Arkansas recorded accounts payable and Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas recorded accounts receivable to reflect the rough production cost equalization payments and receipts required to implement the FERC's remedy based on calendar year 2006 production costs. Entergy Arkansas recorded a corresponding regulatory asset for its right to collect the

payments from its customers, and Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas recorded corresponding regulatory liabilities for their obligations to pass the receipts on to their customers. The regulatory asset and liabilities are shown as "System Agreement cost equalization" on the respective balance sheets.

The liabilities and assets for the preliminary estimate of the payments and receipts required to implement the FERC's remedy based on calendar year 2007 production costs were recorded in December 2007, after all production costs for 2007 had been incurred. The preliminary estimate was recorded based on the following estimate of the payments/receipts among the Utility operating companies for 2008, based on calendar year 2007 production costs (in millions):

| | Payments or (Receipts) |
|-------------------------------|------------------------|
| Entergy Arkansas | \$ 268 |
| Entergy Gulf States Louisiana | \$(147) |
| Entergy Louisiana | \$ (46) |
| Entergy Mississippi | \$ 0 |
| Entergy New Orleans | \$(5) |
| Entergy Texas | \$(70) |

The actual payments/receipts for 2008, based on calendar year 2007 production costs, will not be calculated until the Utility operating companies' FERC Form 1s have been filed. The level of any payments and receipts is significantly affected by a number of factors, including, among others, weather, the price of alternative fuels, the operating characteristics of the Entergy System generating fleet, and multiple factors affecting the calculation of the non-fuel related revenue requirement components of the total production costs, such as plant investment.

The Utility operating companies had also filed with the FERC certain proposed modifications to the rough production cost equalization calculation. The FERC rejected certain of the proposed modifications, accepted certain of the proposed modifications without further proceedings, and set two of the proposed modifications for hearing and settlement procedures. Settlement discussions are ongoing in one of the proceedings. Settlement procedures were terminated in the second proceeding that involves changes to the functionalization of costs to the production function and a hearing in that proceeding is currently scheduled for March 2008.

In April 2007, the LPSC filed a complaint with the FERC in which it sought to have the FERC order the following modifications to Entergy's rough production costs equalization calculation: (1) elimination of interruptible loads from the methodology used to allocate demand-related capacity costs; and (2) change of the method used to re-price energy from the Vidalia hydroelectric project for purposes of calculating production cost disparities. Entergy filed an intervention and protest in this proceeding. In May 2007 the FERC denied the LPSC's complaint. The LPSC has requested rehearing, and FERC consideration of that request is still pending.

APSC Complaint at the FERC

In June 2006 the APSC filed a complaint with the FERC against Entergy Services as the representative of Entergy Corporation and the Utility operating companies, pursuant to Sections 205, 206 and 207 of the Federal Power Act (FPA). The APSC complaint states, "the purpose of the complaint is to institute an investigation into the prudence of Entergy's practices affecting the wholesale rates that flow through its System Agreement." The complaint requests, among other

things, that the FERC disallow any costs found to be imprudent, with a refund effective date to be set at the earliest possible time. The APSC requested that the FERC investigate several specific areas, including issues related to Entergy's transmission system. Several parties have intervened in the proceeding, including the MPSC, the LPSC, and the City Council.

In June 2007 the FERC denied the APSC's complaint on the basis that it was premature. The FERC found that the Utility operating companies' annual rough production cost equalization filing is the appropriate proceeding for the retail regulators to raise prudence issues. Regarding transmission, the FERC found that the FERC has recently implemented reforms related to transmission. If those reforms are inadequate to address the APSC's concerns, then it can renew its complaint. The City Council asked for rehearing or clarification of this order to confirm that the FERC did not intend to preempt a retail regulator from undertaking an independent prudence review of the production costs in setting retail rates. The FERC denied the request in December 2007, reiterating its conclusion that the annual rough production cost equalization filing is the appropriate proceeding for the retail regulators to raise prudence issues.

Interruptible Load Proceeding

In April 2007 the U.S. Court of Appeals for the D.C. Circuit issued its opinion in the LPSC's appeal of the FERC's March 2004 and April 2005 orders related to the treatment under the System Agreement of the Utility operating companies' interruptible loads. In its opinion, the D.C. Circuit concluded that the FERC (1) acted arbitrarily and capriciously by allowing the Utility operating companies to phase-in the effects of the elimination of the interruptible load over a 12-month period of time; (2) failed to adequately explain why refunds could not be ordered under Section 206(c) of the Federal Power Act; and (3) exercised appropriately its discretion to defer addressing the cost of sulfur dioxide allowances until a later time. The D.C. Circuit remanded the matter to the FERC for a more considered determination on the issue of refunds. The FERC issued its order on remand in September 2007, in which it directs Entergy to make a compliance filing removing all interruptible load from the computation of peak load responsibility commencing April 1, 2004 and to issue any necessary refunds to reflect this change. In addition, the order directs the Utility operating companies to make refunds for the period May 1995 through July 1996. Entergy, the APSC, the MPSC, and the City Council have requested rehearing of the FERC's order on remand. The FERC granted the Utility operating companies' request to delay the payment of refunds for the period May 1995 through July 1996 until 30 days following a FERC order on rehearing.

Entergy Arkansas Notice of Termination of System Agreement Participation and Related APSC Investigation

Citing its concerns that the benefits of its continued participation in the current form of the System Agreement have been seriously eroded, in December 2005, Entergy Arkansas submitted its notice that it will terminate its participation in the current System Agreement effective ninety-six (96) months from the date of the notice or such earlier date as authorized by the FERC. Entergy Arkansas indicated, however, that a properly structured replacement agreement could be a viable alternative. The APSC had previously commenced an investigation, in 2004, into whether Entergy Arkansas' continued participation in the System Agreement is in the best interests of its customers. More than once in the investigation proceeding Entergy Arkansas and its president, Hugh McDonald, have filed testimony with the APSC in response to requests by the APSC. In addition, Mr. McDonald has

appeared before the APSC on more than one occasion at public hearings for questioning. In December 2007, the APSC ordered Mr. McDonald to file testimony each month with the APSC detailing progress toward development of successor arrangements, beginning in March 2008.

The APSC had also previously commenced investigations concerning Entergy Louisiana's Vidalia purchased power contract and Entergy Louisiana's then pending acquisition of the Perryville power plant. Entergy Arkansas has provided information to the APSC in these investigations and no further activity has occurred in them.

Entergy Mississippi Notice of Termination of System Agreement Participation

In October 2007 the MPSC issued a letter confirming its belief that Entergy Mississippi should exit the System Agreement in light of the recent developments involving the System Agreement. The MPSC letter also requested that Entergy Mississippi advise the MPSC regarding the status of the Utility operating companies' effort to develop successor arrangements to the System Agreement and advise the MPSC regarding Entergy Mississippi's position with respect to withdrawal from the System Agreement. In November 2007, pursuant to the provisions of the System Agreement, Entergy Mississippi provided its written notice to terminate its participation in the System Agreement effective ninety-six (96) months from the date of the notice or such earlier date as authorized by the FERC.

LPSC and City Council Action Related to the Entergy Arkansas and Entergy Mississippi Notices of Termination

In light of the notices of Entergy Arkansas and Entergy Mississippi to terminate participation in the current System Agreement, in January 2008 the LPSC unanimously voted to direct the LPSC Staff to begin evaluating the potential for a new agreement. Likewise, the New Orleans City Council opened a docket to gather information on progress towards a successor agreement.

LPSC System Agreement Complaint at the FERC

On December 18, 2006, the LPSC filed a complaint requesting the FERC "immediately institute a proceeding to determine whether, and on what terms, [Entergy Arkansas] may withdraw" from the System Agreement. The complaint alleges that "safeguards must be adopted to ensure that the remaining operating companies and their customers are protected from adverse effects of the termination attempt of [Entergy Arkansas]." The LPSC requests that the FERC (1) investigate the effect that Entergy Arkansas' notice of termination will have on the rates, charges, and billings under the System Agreement and the capacity and production costs of the remaining Utility operating companies and adopt remedies that are just and reasonable; and (2) provide for the continuation of the bandwidth payments by Entergy Arkansas, require Entergy Arkansas to provide "generating capacity or wholesale power contracts to Entergy Louisiana and Entergy Gulf States-Louisiana sufficient to satisfy the rough production cost equalization requirements established in the System Agreement orders," or require "hold harmless protection be put in place to prevent any harm to [Entergy Louisiana] and [Entergy Gulf States-Louisiana] as a result of the impact of [Entergy Arkansas'] termination." The LPSC complaint further urges the FERC to find that "Entergy controls the actions of [Entergy Arkansas] and is responsible for and liable for any damages caused and remedies required due to [Entergy Arkansas'] termination." The Utility operating companies filed a response to the LPSC complaint on January 31, 2007, explaining that the System Agreement explicitly provides each Utility operating company the unilateral right to

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

terminate its participation in the System Agreement upon 96 months written notice to the other Utility operating companies. This right is absolute and unambiguous and is not conditioned or limited in any way, as the LPSC's complaint would suggest. The unilateral right to terminate has been in the System Agreement at least since 1973 and the agreement has been litigated before the FERC by the LPSC on numerous occasions. At no point has the LPSC raised this issue nor has the FERC determined the termination provision to be unjust or unreasonable.

In June 2007 the FERC denied the LPSC's complaint on the basis that it was premature. The FERC's order indicates that the FERC will evaluate at the time of Entergy Arkansas' departure whether "the System Agreement will remain just and reasonable for the remaining members ... and likewise that any new Entergy Arkansas jurisdictional wholesale arrangements will be just and reasonable." The FERC Order goes on to state that "in light of the history and nature of the existing members' planning and operation of their facilities under the System Agreement, it is possible it may ultimately be appropriate to require transition measures or other conditions to ensure just and reasonable wholesale rates and services" upon the termination of Entergy Arkansas' participation in the current System Agreement.

Calcasieu Generating Facility Acquisition

In conjunction with the application of Entergy Gulf States and Calcasieu Power, LLC seeking FERC approval of Entergy Gulf States Louisiana's acquisition of the Calcasieu Generating Facility, the Utility operating companies filed a Petition for Declaratory Order requesting that the FERC find either (1) that in those circumstances where a resource to be acquired or constructed has been determined by Entergy's Operating Committee to be a resource devoted to serving Entergy System load and has been approved by the applicable retail regulator, the cost of such resource shall be reflected in the rough production cost equalization calculation; or (2) that Entergy Gulf States Louisiana's acquisition of the Calcasieu facility is prudent and the costs are properly reflected in the rough production cost equalization calculation. The APSC, LPSC, MPSC, City Council, and several other parties intervened in the proceeding, with the APSC, LPSC, and City Council filing protests. In July 2007 the FERC denied the application for a declaratory order. The FERC concluded that (1) the circumstances surrounding resource acquisition on the Entergy System were not of sufficient "local interest" to warrant the FERC deferring to the findings of the applicable regulator; and (2) with respect to the alternative request for relief, consistent with its prior precedent, the FERC would not "entertain the issue of the prudence of a purchase until such time as the purchaser passes on the cost of the purchase to its customers." In a subsequent order issued in November 2007, the FERC approved Entergy Gulf States Louisiana's acquisition of the plant.

Independent Coordinator of Transmission

In 2000, the FERC issued an order encouraging utilities to voluntarily place their transmission facilities under the control of independent RTOs (regional transmission organizations). Delays in implementing the FERC RTO order occurred due to a variety of reasons, including the fact that utility companies, other stakeholders, and federal and state regulators have had to work to resolve various issues related to the establishment of such RTOs.

In November 2006, after nearly a decade of effort, including filings, orders, technical conferences, and proceedings at the FERC, the Utility operating companies installed the Southwest Power Pool (SPP) as their Independent Coordinator of Transmission (ICT).

The installation does not transfer control of Entergy's transmission system to the ICT, but rather vests with the ICT responsibility for:

- granting or denying transmission service on the Utility operating companies' transmission system.
- administering the Utility operating companies' Open Access Same Time Information Systems (OASIS) node for purposes of processing and evaluating transmission service requests and ensuring compliance with the Utility operating companies' obligation to post transmission-related information.
- developing a base plan for the Utility operating companies' transmission system that will result in the ICT making the determination on whether costs of transmission upgrades should be rolled into the Utility operating companies' transmission rates or directly assigned to the customer requesting or causing an upgrade to be constructed. This should result in a transmission pricing structure that ensures that the Utility operating companies' retail native load customers are required to pay for only those upgrades necessary to reliably serve their needs.
- serving as the reliability coordinator for the Entergy transmission system.
- overseeing the operation of the weekly procurement process (WPP).
- evaluating interconnection-related investments already made on the Entergy System for purposes of determining the future allocation of the uncredited portion of these investments, pursuant to a detailed methodology. The ICT agreement also clarifies the rights that customers receive when they fund a supplemental upgrade.

The initial term of the ICT is four years, and Entergy is precluded from terminating the ICT prior to the end of the four-year period.

After the FERC issued its April 2006 order approving the ICT proposal, the Utility operating companies made a series of compliance filings with the FERC that were protested by various parties. The FERC has accepted the compliance filings and denied various requests for rehearing, although appeals of the FERC's ICT orders are currently pending in the U.S. Court of Appeals for the D.C. Circuit. As stated above, SPP was installed as the ICT in November 2006.

In October 2006 the Utility operating companies filed revisions to their Open Access Transmission Tariff (OATT) with the FERC to establish a mechanism to recover from their wholesale transmission customers the (1) costs incurred to develop or join an RTO and to develop the ICT; and (2) on-going costs that will be incurred under the ICT agreement. Several parties intervened opposing the proposed tariff revisions. In December 2006 the FERC accepted for filing Entergy's proposed tariff revisions, and set them for hearing and settlement procedures. In its Order, the FERC concluded that each of the Utility operating companies "should be allowed the opportunity to recover its start up costs associated with its formation of the ICT and its participation in prior failed attempts to form an RTO," and also that the proposed tariffs raised issues of fact that are more properly addressed through hearing and settlement procedures. In June 2007 the Utility operating companies reached a settlement-in-principle with the parties to the proceeding and the FERC approved the settlement in November 2007.

In the FERC's April 2006 order that approved Entergy's ICT proposal, the FERC stated that the weekly procurement process (WPP) must be operational within approximately 14 months of the FERC order, or June 24, 2007, or the FERC may reevaluate all approvals to proceed with the ICT. The Utility operating companies have been working with the ICT and a software vendor to develop the software and systems necessary to implement the WPP. The Utility operating companies also filed

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

with the FERC in April 2007 a request to make certain corrections and limited modifications to the current WPP tariff provisions. The Utility operating companies have filed status reports with the FERC notifying the FERC that, due to unexpected issues with the development of the WPP software and testing, the WPP is still not operational. The Utility operating companies filed a revised tariff with the FERC on January 31, 2008 to address issues identified during the testing of the WPP. The Utility operating companies have requested the FERC to rule on the proposed amendments by April 30, 2008 and allow them to go into effect May 11, 2008, following which the WPP would be expected to become operational.

In March 2004, the APSC initiated a proceeding to review Entergy's proposal and compare the benefits of such a proposal to the alternative of Entergy joining the SPP RTO. The APSC sought comments from all interested parties on this issue. Various parties, including the APSC General Staff, filed comments opposing the ICT proposal. A public hearing has not been scheduled by the APSC at this time, although Entergy Arkansas has responded to various APSC data requests. In May 2004, Entergy Mississippi filed a petition for review with the MPSC requesting MPSC support for the ICT proposal. A hearing in that proceeding was held in August 2004, and the MPSC has taken no further action. Entergy New Orleans appeared before the Utility Committee of the City Council in June 2005 to provide information on the ICT proposal, and the Council has taken no further action. Entergy Louisiana and Entergy Gulf States Louisiana filed an application with the LPSC requesting that the LPSC find that the ICT proposal is a prudent and appropriate course of action. A hearing in the LPSC proceeding on the ICT proposal was held in October 2005, and the LPSC voted to approve the ICT proposal in July 2006.

Available Flowgate Capacity (AFC) Proceeding

In April 2007 the FERC issued an order terminating the AFC hearing involving Entergy because Entergy's ICT has been installed. In accordance with the provisions of the FERC order approving the ICT, during the first three quarters of 2007 the Utility operating companies notified the FERC, the ICT, and the stakeholders that certain instances had been identified in which software errors related to the AFC process had resulted in the reporting of inaccurate data. Following the reporting of these errors, certain market participants continue to urge the FERC to move forward with an AFC hearing in light of the identified errors.

FERC Investigations

In 2005, the Utility operating companies notified the FERC's Office of Market Oversight and Investigations (FERC enforcement) that certain historic data related to the hourly AFC models was inadvertently lost due to errors in the implementation of a data archiving process. The data at issue is hourly AFC data for the nine-month period April 27, 2004 through January 31, 2005. Subsequently, the Utility operating companies notified FERC enforcement that: (1) Entergy had identified certain instances in which transmission service either was granted when there was insufficient transmission capacity or was not granted when there was sufficient transmission capacity; and (2) Entergy had failed to timely post to Entergy's OASIS site certain curtailment and schedule information. Entergy cooperated fully and timely in the investigation of these instances. In January 2007, the FERC approved a settlement agreement between the Utility operating companies and the FERC enforcement staff resolving all issues arising out of or related to these issues. The Order accepting the Stipulation and Consent Agreement indicates that the matters "were generally the

result of low-level employees' inadvertent actions, done without the knowledge or acquiescence of senior management. The matters did not reflect undue preference or undue discrimination and resulted in little or no quantifiable harm." Pursuant to the Stipulation and Consent Agreement, Entergy agreed to pay a \$2 million civil penalty and to make a \$1 million payment to the Nike/Entergy Green Schools for New Orleans Partnership. Additionally, the Stipulation and Consent Agreement required the establishment of a compliance plan that includes independent auditing provisions.

Interconnection Orders

The Utility operating companies (except Entergy New Orleans) have been parties to several proceedings before the FERC in which independent generation entities (GenCos) seek refunds of monies that the GenCos had previously paid to the Entergy companies for facilities necessary to connect the GenCos' generation facilities to Entergy's transmission system. As of December 31, 2007, the Utility operating companies' obligation resulting from the FERC's decisions to grant the GenCos refunds is approximately \$105.4 million, including \$26.7 million at Entergy Arkansas, \$20.2 million at Entergy Louisiana, \$39.9 million at Entergy Mississippi and \$18.6 million at Entergy Texas.

To the extent the Utility operating companies have been ordered to provide refunds, or may in the future be ordered to provide additional refunds, the majority of these costs will qualify for inclusion in the Utility operating companies' rates. The recovery of these costs is not automatic, however, especially at the retail level, where the majority of the cost recovery would occur. With respect to the facilities for which the FERC has ordered refunds, the ICT recently completed a report evaluating the classification of facilities that have produced the refunds. The Utility operating companies are reviewing the report and will make appropriate filings with the FERC to implement the ICT's reclassifications, which could reduce the amount of refunds not yet credited against transmission charges.

ENERGY POLICY ACT OF 2005

The Energy Policy Act of 2005 became law in August 2005. The legislation contains electricity provisions that, among other things:

- Repealed Public Utility Holding Company Act (PUHCA) 1935, through enactment of PUHCA 2005, effective February 8, 2006; PUHCA 2005 and/or related amendments to Section 203(a) of the Federal Power Act (a) remove various limitations on Entergy Corporation as a registered holding company under PUHCA 1935; (b) require the maintenance and retention of books and records by certain holding company system companies for inspection by the FERC and state commissions, as appropriate; and (c) effectively leave to the jurisdiction of the FERC (or state or local regulatory bodies, as appropriate) (i) the issuance by an electric utility of securities; (ii) (A) the disposition of jurisdictional FERC electric facilities by an electric utility; (B) the acquisition by an electric utility of securities of an electric utility; (C) the acquisition by an electric utility of electric generating facilities (in each of the cases in (A), (B) and (C) only in transactions in excess of \$10 million); (iv) electric public utility mergers; and (v) the acquisition by an electric public utility holding company of securities of an electric public utility company or its holding company in excess of \$10 million or the merger of electric public utility holding company systems. PUHCA 2005 and the related FERC rule-making also provide a savings provision which permits continued reliance on certain PUHCA 1935 rules and orders after the repeal of PUHCA 1935.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS (CONTINUED)

- Codifies the concept of participant funding or cost causation, a form of cost allocation for transmission interconnections and upgrades, and allows the FERC to apply participant funding in all regions of the country. Participant funding helps ensure that a utility's native load customers only bear the costs that are necessary to provide reliable transmission service to them and not bear costs imposed by generators (the participants) who seek to deliver power to other regions.
- Provides financing benefits, including loan guarantees and production tax credits, for new nuclear plant construction, and reauthorizes the Price-Anderson Act, the law that provides an umbrella of insurance protection for the payment of public liability claims in the event of a major nuclear power plant incident.
- Revises current tax law treatment of nuclear decommissioning trust funds by allowing regulated and non-regulated taxpayers to make deductible contributions to fund the entire amount of estimated future decommissioning costs.
- Provides a more rapid tax depreciation schedule for transmission assets to encourage investment.
- Creates mandatory electricity reliability guidelines with enforceable penalties to help ensure that the nation's power transmission grid is kept in good repair and that disruptions in the electricity system are minimized. Entergy already voluntarily complies with National Electricity Reliability Council standards, which are similar to the guidelines mandated by the Energy Policy Act of 2005.
- Establishes conditions for the elimination of the Public Utility Regulatory Policy Act's (PURPA) mandatory purchase obligation from qualifying facilities.
- Significantly increased the FERC's authorization to impose criminal and civil penalties for violations of the provisions of the Federal Power Act.

MARKET AND CREDIT RISK SENSITIVE INSTRUMENTS

Market risk is the risk of changes in the value of commodity and financial instruments, or in future operating results or cash flows, in response to changing market conditions. Entergy holds commodity and financial instruments that are exposed to the following significant market risks:

- The commodity price risk associated with the sale of electricity by Entergy's Non-Utility Nuclear business.
- The interest rate and equity price risk associated with Entergy's investments in decommissioning trust funds, particularly in the Non-Utility Nuclear business. See Note 17 to the financial statements for details regarding Entergy's decommissioning trust funds.
- The interest rate risk associated with changes in interest rates as a result of Entergy's issuances of debt. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the financial statements for the details of Entergy's debt outstanding.

Entergy's commodity and financial instruments are also exposed to credit risk. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract or agreement. Credit risk also includes potential demand on liquidity due to collateral requirements within supply or sales agreements.

Commodity Price Risk

Power Generation

The sale of electricity from the power generation plants owned by Entergy's Non-Utility Nuclear business, unless otherwise contracted, is subject to the fluctuation of market power prices. Entergy's Non-Utility Nuclear business has entered into PPAs and other contracts to sell the power produced by its power plants at prices established in the PPAs. Entergy continues to pursue opportunities to extend the existing PPAs and to enter into new PPAs with other parties. Following is a summary of the amount of the Non-Utility Nuclear business' output that is currently sold forward under physical or financial contracts:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|------|------|------|------|------|
| Non-Utility Nuclear: | | | | | |
| Percent of planned generation sold forward: | | | | | |
| Unit-contingent | 51% | 48% | 31% | 29% | 16% |
| Unit-contingent with guarantee of availability ⁽¹⁾ | 36% | 35% | 28% | 14% | 7% |
| Firm liquidated damages | 5% | —% | —% | —% | —% |
| Total | 92% | 83% | 59% | 43% | 23% |
| Planned generation (TWh) | 41 | 41 | 40 | 41 | 41 |
| Average contracted price per MWh ⁽²⁾ | \$54 | \$61 | \$58 | 45 | \$51 |

(1) A sale of power on a unit contingent basis coupled with a guarantee of availability provides for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.

(2) The Vermont Yankee acquisition included a 10-year PPA under which the former owners will buy most of the power produced by the plant, which is through the expiration in 2012 of the current operating license for the plant. The PPA includes an adjustment clause under which the prices specified in the PPA will be adjusted downward monthly, beginning in November 2005, if power market prices drop below PPA prices, which has not happened thus far and is not expected in the foreseeable future.

Non-Utility Nuclear's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. In October 2007, Non-Utility Nuclear and NYPA amended and restated the value sharing agreements to clarify and amend certain provisions of the original terms. Under the amended value sharing agreements, Non-Utility Nuclear will make annual payments to NYPA based on the generation output of the Indian Point 3 and FitzPatrick plants from January 2007 through December 2014. Non-Utility Nuclear will pay NYPA \$6.59 per MWh for power sold from Indian Point 3, up to an annual cap of \$48 million, and \$3.91 per MWh for power sold from FitzPatrick, up to an annual cap of \$24 million. The annual payment for each year is due by January 15 of the following year, with the payment for year 2007 output due on January 15, 2008. If Entergy or an Entergy affiliate ceases to own the plants, then, after January 2009, the annual payment obligation terminates for generation after the date that Entergy ownership ceases.

Non-Utility Nuclear will record its liability for payments to NYPA as power is generated and sold by Indian Point 3 and FitzPatrick. Non-Utility Nuclear recorded a \$72 million liability for generation through December 31, 2007. An amount equal to the liability will be recorded to the plant asset account as contingent purchase price consideration for the plants. This amount will be depreciated over the expected remaining useful life of the plants.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

Some of the agreements to sell the power produced by Entergy's Non-Utility Nuclear power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary will be required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Non-Utility Nuclear sells power. The primary form of collateral to satisfy these requirements would be an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At December 31, 2007, based on power prices at that time, Entergy had in place as collateral \$702 million of Entergy Corporation guarantees for wholesale transactions, including \$63 million of guarantees that support letters of credit. The assurance requirement associated with Non-Utility Nuclear is estimated to increase by an amount up to \$294 million if gas prices increase \$1 per MMBtu in both the short- and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, Entergy will be required to replace Entergy Corporation guarantees with cash or letters of credit under some of the agreements.

In addition to selling the power produced by its plants, the Non-Utility Nuclear business sells installed capacity to load-serving distribution companies in order for those companies to meet requirements placed on them by the ISO in their area. Following is a summary of the amount of the Non-Utility Nuclear business' installed capacity that is currently sold forward, and the blended amount of the Non-Utility Nuclear business' planned generation output and installed capacity that is currently sold forward:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-------|-------|-------|-------|-------|
| Non-Utility Nuclear: | | | | | |
| Percent of capacity sold forward: | | | | | |
| Bundled capacity and energy contracts | 27% | 26% | 26% | 26% | 19% |
| Capacity contracts | 59% | 34% | 16% | 9% | 2% |
| Total | 86% | 60% | 42% | 35% | 21% |
| Planned net MW in operation | 4,998 | 4,998 | 4,998 | 4,998 | 4,998 |
| Average capacity contract | | | | | |
| price per kW per month | \$1.8 | \$1.7 | \$2.5 | \$3.1 | \$3.5 |
| Blended capacity and energy (based on revenues): | | | | | |
| % of planned generation and capacity sold forward | 89% | 78% | 51% | 35% | 17% |
| Average contract revenue | | | | | |
| per MWh | \$56 | \$62 | \$59 | \$56 | \$52 |

As of December 31, 2007, approximately 96% of Non-Utility Nuclear's counterparty exposure from energy and capacity contracts is with counterparties with public investment grade credit ratings.

CENTRAL STATES COMPACT CLAIM

The Low-Level Radioactive Waste Policy Act of 1980 holds each state responsible for disposal of low-level radioactive waste originating in that state, but allows states to participate in regional compacts to fulfill their responsibilities jointly. Arkansas and Louisiana participate in the Central Interstate Low-Level Radioactive Waste Compact (Central States Compact or Compact). Commencing in early 1988, Entergy Arkansas, Entergy Gulf States, Inc. and Entergy Louisiana made a series of contributions to the Central States Compact to fund the Central States Compact's development of a low-level radioactive waste disposal facility to be located in Boyd County, Nebraska. In December 1998, Nebraska, the host state for the proposed Central States Compact disposal facility, denied the compact's license application for the

proposed disposal facility. Several parties, including the commission that governs the compact (the Compact Commission), filed a lawsuit against Nebraska seeking damages resulting from Nebraska's denial of the proposed facility's license. After a trial, the U.S. District Court concluded that Nebraska violated its good faith obligations regarding the proposed waste disposal facility and rendered a judgment against Nebraska in the amount of \$151 million. In August 2004, Nebraska agreed to pay the Compact \$141 million in settlement of the judgment. In July 2005, the Compact Commission decided to distribute a substantial portion of the proceeds from the settlement to the nuclear power generators that had contributed funding for the Boyd County facility, including Entergy Arkansas, Entergy Gulf States, Inc. and Entergy Louisiana. On August 1, 2005, Nebraska paid \$145 million, including interest, to the Compact, and the Compact distributed from the settlement proceeds \$23.6 million to Entergy Arkansas, \$19.9 million to Entergy Gulf States, Inc., and \$19.4 million to Entergy Louisiana. The proceeds contributed \$28.7 million in pre-tax income in 2005.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Entergy's financial statements in conformity with generally accepted accounting principles requires management to apply appropriate accounting policies and to make estimates and judgments that can have a significant effect on reported financial position, results of operations, and cash flows. Management has identified the following accounting policies and estimates as critical because they are based on assumptions and measurements that involve a high degree of uncertainty, and the potential for future changes in the assumptions and measurements that could produce estimates that would have a material effect on the presentation of Entergy's financial position or results of operations.

NUCLEAR DECOMMISSIONING COSTS

Entergy owns a significant number of nuclear generation facilities in both its Utility and Non-Utility Nuclear business units. Regulations require Entergy to decommission its nuclear power plants after each facility is taken out of service, and money is collected and deposited in trust funds during the facilities' operating lives in order to provide for this obligation. Entergy conducts periodic decommissioning cost studies to estimate the costs that will be incurred to decommission the facilities. The following key assumptions have a significant effect on these estimates:

- **COST ESCALATION FACTORS** – Entergy's decommissioning revenue requirement studies include an assumption that decommissioning costs will escalate over present cost levels by annual factors ranging from approximately CPI-U to 5.5%. A 50 basis point change in this assumption could change the ultimate cost of decommissioning a facility by as much as 11%.
- **TIMING** – In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated. The expiration of the plant's operating license is typically used for this purpose, but the assumption may be made that the plant's license will be renewed and operate for some time beyond the original license term. Second, an assumption must be made whether decommissioning will begin immediately upon plant retirement, or whether the plant will be held in "safestore" status for later decommissioning, as permitted by applicable regulations. While the effect of these assumptions cannot be determined with precision, assuming either license renewal or use of a "safestore" status can possibly change the present value of these obligations. Future revisions to appropriately reflect changes needed to the

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

estimate of decommissioning costs will affect net income, only to the extent that the estimate of any reduction in the liability exceeds the amount of the undepreciated asset retirement cost at the date of the revision, for unregulated portions of Entergy's business. Any increases in the liability recorded due to such changes are capitalized and depreciated over the asset's remaining economic life in accordance with SFAS 143.

- **SPENT FUEL DISPOSAL** – Federal regulations require the Department of Energy (DOE) to provide a permanent repository for the storage of spent nuclear fuel, and legislation has been passed by Congress to develop this repository at Yucca Mountain, Nevada. Until this site is available, however, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities can have a significant effect (as much as 16% of estimated decommissioning costs). Entergy's decommissioning studies may include cost estimates for spent fuel storage. However, these estimates could change in the future based on the timing of the opening of the Yucca Mountain facility, the schedule for shipments to that facility when it is opened, or other factors. Entergy is pursuing damages claims against the DOE for its failure to pick up spent fuel timely.
- **TECHNOLOGY AND REGULATION** – To date, there is limited practical experience in the United States with actual decommissioning of large nuclear facilities. As experience is gained and technology changes, cost estimates could also change. If regulations regarding nuclear decommissioning were to change, this could have a potentially significant effect on cost estimates. The effect of these potential changes is not presently determinable. Entergy's decommissioning cost studies assume current technologies and regulations.

In the fourth quarter of 2007, Entergy's Non-Utility Nuclear business recorded an increase of \$100 million in decommissioning liabilities for certain of its plants as a result of revised decommissioning cost studies. The revised estimates resulted in the recognition of a \$100 million asset retirement obligation asset that will be depreciated over the remaining life of the units.

In the third quarter of 2006, Entergy's Non-Utility Nuclear business recorded a reduction of \$27 million in decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of the plant will begin. The revised estimate resulted in miscellaneous income of \$27 million (\$16.6 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated asset retirement cost recorded at the time of adoption of SFAS 143.

In the first quarter of 2005, Entergy's Non-Utility Nuclear business recorded a reduction of \$26.0 million in its decommissioning cost liability in conjunction with a new decommissioning cost study as a result of revised decommissioning costs and changes in assumptions regarding the timing of the decommissioning of a plant. The revised estimate resulted in miscellaneous income of \$26.0 million (\$15.8 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated assets retirement cost recorded at the time of adoption of SFAS 143.

UNBILLED REVENUE

As discussed in Note 1 to the financial statements, Entergy records an estimate of the revenues earned for energy delivered since the latest customer billing. Each month the estimated unbilled revenue amounts

are recorded as revenue and a receivable, and the prior month's estimate is reversed. The difference between the estimate of the unbilled receivable at the beginning of the period and the end of the period is the amount of unbilled revenue recognized during the period. The estimate recorded is primarily based upon an estimate of customer usage during the unbilled period and the billed price to customers in that month, including fuel price. Therefore, revenue recognized may be affected by the estimated price and usage at the beginning and end of each period and fuel price fluctuations, in addition to changes in certain components of the calculation. Effective January 1, 2006, Entergy Louisiana and Entergy Gulf States Louisiana reclassified the fuel component of unbilled accounts receivable to deferred fuel and will no longer include the fuel component in the unbilled calculation, which is in accordance with regulatory treatment.

IMPAIRMENT OF LONG-LIVED ASSETS

Entergy has significant investments in long-lived assets in all of its segments, and Entergy evaluates these assets against the market economics and under the accounting rules for impairment whenever there are indications that impairments may exist. This evaluation involves a significant degree of estimation and uncertainty, and these estimates are particularly important in Entergy's Utility business and the non-nuclear wholesale assets business. In the Utility business, portions of River Bend and Grand Gulf are not included in rate base, which could reduce the revenue that would otherwise be recovered for the applicable portions of those units' generation. In the non-nuclear wholesale assets business, Entergy's investments in merchant generation assets are subject to impairment if adverse market conditions arise.

In order to determine if Entergy should recognize an impairment of a long-lived asset that is to be held and used, accounting standards require that the sum of the expected undiscounted future cash flows from the asset be compared to the asset's carrying value. If the expected undiscounted future cash flows exceed the carrying value, no impairment is recorded; if such cash flows are less than the carrying value, Entergy is required to record an impairment charge to write the asset down to its fair value. If an asset is held for sale, an impairment is required to be recognized if the fair value (less costs to sell) of the asset is less than its carrying value.

These estimates are based on a number of key assumptions, including:

- **FUTURE POWER AND FUEL PRICES** – Electricity and gas prices have been very volatile in recent years, and this volatility is expected to continue. This volatility necessarily increases the imprecision inherent in the long-term forecasts of commodity prices that are a key determinant of estimated future cash flows.
- **MARKET VALUE OF GENERATION ASSETS** – Valuing assets held for sale requires estimating the current market value of generation assets. While market transactions provide evidence for this valuation, the market for such assets is volatile and the value of individual assets is impacted by factors unique to those assets.
- **FUTURE OPERATING COSTS** – Entergy assumes relatively minor annual increases in operating costs. Technological or regulatory changes that have a significant impact on operations could cause a significant change in these assumptions.

In the fourth quarter of 2005, Entergy recorded a charge of \$39.8 million (\$25.8 million net-of-tax) as a result of the impairment of the Competitive Retail Services business' information technology systems. Entergy decided to divest the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and,

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

in connection with that decision, management evaluated the carrying amount of the Competitive Retail Services business' information technology systems and determined that an impairment provision should be recorded.

QUALIFIED PENSION AND OTHER POSTRETIREMENT BENEFITS

Entergy sponsors qualified, defined benefit pension plans which cover substantially all employees. Additionally, Entergy currently provides postretirement health care and life insurance benefits for substantially all employees who reach retirement age while still working for Entergy. Entergy's reported costs of providing these benefits, as described in Note 11 to the financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate for the Utility and Non-Utility Nuclear segments.

Assumptions

Key actuarial assumptions utilized in determining these costs include:

- Discount rates used in determining the future benefit obligations;
- Projected health care cost trend rates;
- Expected long-term rate of return on plan assets; and
- Rate of increase in future compensation levels.

Entergy reviews these assumptions on an annual basis and adjusts them as necessary. The falling interest rate environment and worse-than-expected performance of the financial equity markets in previous years have impacted Entergy's funding and reported costs for these benefits. In addition, these trends have caused Entergy to make a number of adjustments to its assumptions.

In selecting an assumed discount rate to calculate benefit obligations, Entergy reviews market yields on high-quality corporate debt and matches these rates with Entergy's projected stream of benefit payments. Based on recent market trends, Entergy increased its discount rate used to calculate benefit obligations from 6.0% in 2006 to 6.50% in 2007. Entergy's assumed discount rate used to calculate the 2005 benefit obligations was 5.90%. Entergy reviews actual recent cost trends and projected future trends in establishing health care cost trend rates. Based on this review, Entergy's health care cost trend rate assumption used in calculating the December 31, 2007 accumulated postretirement benefit obligation was a 9% increase in health care costs in 2008 gradually decreasing each successive year, until it reaches a 4.75% annual increase in health care costs in 2013 and beyond.

In determining its expected long-term rate of return on plan assets, Entergy reviews past long-term performance, asset allocations, and long-term inflation assumptions. Entergy targets an asset allocation for its pension plan assets of roughly 65% equity securities, 31% fixed-income securities and 4% other investments. The target allocation for Entergy's other postretirement benefit assets is 51% equity securities and 49% fixed-income securities. Entergy's expected long-term rate of return on pension plan and non-taxable other postretirement assets used were 8.5% in 2007, 2006 and 2005. Entergy's expected long-term rate of return on taxable other postretirement assets were 6% in 2007 and 5.5% in 2006 and 2005. The assumed rate of increase in future compensation levels used to calculate benefit obligations was 4.23% in 2007 and 3.25% in 2006 and 2005.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost to changes in certain actuarial assumptions (dollars in thousands):

| Actuarial Assumption | Change in Assumption | Impact on 2007 Qualified Pension Cost (Increase/(Decrease)) | Impact on Qualified Projected Benefit Obligation |
|----------------------------------|----------------------|--|--|
| Discount rate | (0.25%) | \$12,119 | \$104,641 |
| Rate of return on plan assets | (0.25%) | \$ 6,018 | - |
| Rate of increase in compensation | 0.25% | \$ 5,900 | \$ 29,945 |

The following chart reflects the sensitivity of postretirement benefit cost to changes in certain actuarial assumptions (dollars in thousands):

| Actuarial Assumption | Change in Assumption | Impact on 2007 Postretirement Benefit Cost (Increase/(Decrease)) | Impact on Accumulated Postretirement Benefit Obligation |
|------------------------|----------------------|---|---|
| Health care cost trend | 0.25% | \$5,471 | \$27,561 |
| Discount rate | (0.25%) | \$3,649 | \$32,751 |

Each fluctuation above assumes that the other components of the calculation are held constant.

Accounting Mechanisms

In September 2006, Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards as promulgated by the FASB (SFAS) 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132(R)," to be effective December 31, 2006. SFAS 158 requires an employer to recognize in its balance sheet the funded status of its benefit plans. Refer to Note 11 to the financial statements for a further discussion of SFAS 158 and Entergy's funded status.

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into expense only when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees.

Costs and Funding

In 2007, Entergy's total qualified pension cost was \$135.9 million. Entergy anticipates 2008 qualified pension cost to decrease to \$99 million due to an increase in the discount rate (from 6.00% to 6.50%) and 2007 actual return on plan assets greater than 8.5%. Pension funding was \$177 million for 2007. Entergy's contributions to the pension trust are currently estimated to be \$226 million in 2008. Guidance pursuant to the Pension Protection Act of 2006 rules, effective for the 2008 plan year and beyond, may affect the level of Entergy's pension contributions in the future.

The Pension Protection Act of 2006 was signed by the President on August 17, 2006. The intent of the legislation is to require companies to fund 100% of their pension liability; and then for companies to fund, on a going-forward basis, an amount generally estimated to be the amount that the pension liability increases each year due to an additional year of service by the employees eligible for pension benefits. The legislation requires that funding shortfalls be eliminated by companies over a seven-year period, beginning in 2008.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS CONTINUED

The Pension Protection Act also extended the provisions of the Pension Funding Equity Act that would have expired in 2006 had the Pension Protection Act not been enacted, which increased the allowed discount rate used to calculate the pension funding liability.

Total postretirement health care and life insurance benefit costs for Entergy in 2007 were \$89.6 million, including \$26 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy expects 2008 postretirement health care and life insurance benefit costs to be \$93.4 million. This includes a projected \$24.7 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy expects to contribute \$69.6 million in 2008 to its other postretirement plans.

OTHER CONTINGENCIES

As a company with multi-state domestic utility operations and a history of international investments, Entergy is subject to a number of federal, state, and international laws and regulations and other factors and conditions in the areas in which it operates, which potentially subject it to environmental, litigation, and other risks. Entergy periodically evaluates its exposure for such risks and records a reserve for those matters which are considered probable and estimable in accordance with generally accepted accounting principles.

Environmental

Entergy must comply with environmental laws and regulations applicable to the handling and disposal of hazardous waste. Under these various laws and regulations, Entergy could incur substantial costs to restore properties consistent with the various standards. Entergy conducts studies to determine the extent of any required remediation and has recorded reserves based upon its evaluation of the likelihood of loss and expected dollar amount for each issue. Additional sites could be identified which require environmental remediation for which Entergy could be liable. The amounts of environmental reserves recorded can be significantly affected by the following external events or conditions:

- Changes to existing state or federal regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters.
- The identification of additional sites or the filing of other complaints in which Entergy may be asserted to be a potentially responsible party.
- The resolution or progression of existing matters through the court system or resolution by the United States Environmental Protection Agency (EPA).

Litigation

Entergy has been named as defendant in a number of lawsuits involving employment, ratepayer, and injuries and damages issues, among other matters. Entergy periodically reviews the cases in which it has been named as defendant and assesses the likelihood of loss in each case as probable, reasonably estimable, or remote and records reserves for cases which have a probable likelihood of loss and can be estimated. Notes 2 and 8 to the financial statements include more detail on ratepayer and other lawsuits and management's assessment of the adequacy of reserves recorded for these matters. Given the environment in which Entergy operates, and the unpredictable nature of many of the cases in which Entergy is named as a defendant, however, the ultimate outcome of the litigation Entergy is exposed to has the potential to materially affect the results of operations of Entergy, or its operating company subsidiaries.

Sales Warranty and Tax Reserves

Entergy's operations, including acquisitions and divestitures, require Entergy to evaluate risks such as the potential tax effects of a transaction, or warranties made in connection with such a transaction. Entergy believes that it has adequately assessed and provided for these types of risks, where applicable. Any reserves recorded for these types

of issues, however, could be significantly affected by events such as claims made by third parties under warranties, additional transactions contemplated by Entergy, or completion of reviews of the tax treatment of certain transactions or issues by taxing authorities. Entergy does not expect a material adverse effect on earnings from these matters.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006 the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 generally does not require any new fair value measurements. However, in some cases, the application of SFAS 157 in the future may change Entergy's practice for measuring and disclosing fair values under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for Entergy in the first quarter 2008 and will be applied prospectively. Entergy does not expect the application of SFAS 157 to materially affect its financial position, results of operations, or cash flows.

In February 2007 the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). SFAS 159 provides an option for companies to select certain financial assets and liabilities to be accounted for at fair value with changes in the fair value of those assets or liabilities being reported through earnings. The intent of the standard is to mitigate volatility in reported earnings caused by the application of the more complicated fair value hedging accounting rules. Under SFAS 159, companies can select existing assets or liabilities for this fair value option concurrent with the effective date of January 1, 2008 for companies with fiscal years ending December 31 or can select future assets or liabilities as they are acquired or entered into. Entergy does not expect that the adoption of this standard will have a material effect on its financial position, results of operations, or cash flows.

The FASB issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" (SFAS 141(R)) during the fourth quarter 2007. The significant provisions of SFAS 141(R) are that: (i) assets, liabilities and non-controlling (minority) interests will be measured at fair market value; (ii) costs associated with the acquisition such as transaction-related costs or restructuring costs will be separately recorded from the acquisition and expensed as incurred; (iii) any excess of fair market value of the assets, liabilities and minority interests acquired over the fair market value of the purchase price will be recognized as a bargain purchase and a gain recorded at the acquisition date; and (iv) contractual contingencies resulting in potential future assets or liabilities will be recorded at fair market value at the date of acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 141(R) before that date.

The FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160) during the fourth quarter 2007. SFAS 160 enhances disclosures surrounding minority interests in the balance sheet, income statement and statement of comprehensive income. SFAS 160 will also require a parent to record a gain or loss when a subsidiary in which it retains a minority interest is deconsolidated from the parent company. SFAS 160 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 160 before that date.

In April 2007 the FASB issued Staff Position No. 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1). FSP FIN 39-1 allows an entity to offset the fair value of a receivable or payable against the fair value of a derivative that is executed with the same counterparty under a master netting arrangement. This guidance becomes effective for fiscal years beginning after November 15, 2007. Entergy does not expect these provisions to have a material effect on its financial position.

REPORT OF MANAGEMENT

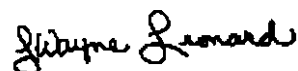
Management of Entergy Corporation and its subsidiaries has prepared and is responsible for the financial statements and related financial information included in this document. To meet this responsibility, management establishes and maintains a system of internal controls designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles. This system includes communication through written policies and procedures, an employee Code of Integrity, and an organizational structure that provides for appropriate division of responsibility and training of personnel. This system is also tested by a comprehensive internal audit program.

Entergy management assesses the effectiveness of Entergy's internal control over financial reporting on an annual basis. In making this assessment, management uses the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Management acknowledges, however, that all internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and presentation.

Entergy Corporation and its subsidiaries' independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of Entergy's internal control over financial reporting as of December 31, 2007, which is included herein on page 53.

In addition, the Audit Committee of the Board of Directors, composed solely of independent Directors, meets with the independent auditors, internal auditors, management, and internal accountants periodically to discuss internal controls, and auditing and financial reporting matters. The Audit Committee appoints the independent auditors annually, seeks shareholder ratification of the appointment, and reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present, providing free access to the Audit Committee.

Based on management's assessment of internal controls using the COSO criteria, management believes that Entergy maintained effective internal control over financial reporting as of December 31, 2007. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.



J. WAYNE LEONARD
Chairman and
Chief Executive Officer



LEO P. DENAULT
Executive Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

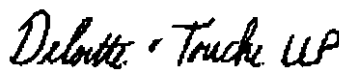
To the Board of Directors and Shareholders
Entergy Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the "Corporation") as of December 31, 2007 and 2006, and the related consolidated statements of income; of retained earnings, comprehensive income, and paid-in capital; and of cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Entergy Corporation and Subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008 expressed an unqualified opinion on the Corporation's internal control over financial reporting.



DELOITTE & TOUCHE LLP
New Orleans, Louisiana
February 28, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Entergy Corporation and Subsidiaries:

We have audited the internal control over financial reporting of Entergy Corporation and Subsidiaries (the "Corporation") as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness may exist, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit

preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2007 of the Corporation and our report dated February 28, 2008 expressed an unqualified opinion on those consolidated financial statements.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

New Orleans, LA

February 28, 2008

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Entergy Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for Entergy. Entergy's internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of Entergy's financial statements presented in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Entergy's management assessed the effectiveness of Entergy's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*.

Based on management's assessment and the criteria set forth by COSO, Entergy's management believes that Entergy maintained effective internal control over financial reporting as of December 31, 2007.

Entergy's registered public accounting firm has issued an attestation report on Entergy's internal control over financial reporting.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

Under the supervision and with the participation of Entergy's management, including its CEO and CFO, Entergy evaluated changes in internal control over financial reporting that occurred during the quarter ended December 31, 2007 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

CONSOLIDATED STATEMENTS OF INCOME

| In thousands, except share data, for the years ended December 31, | 2007 | 2006 | 2005 |
|--|--------------|--------------|--------------|
| OPERATING REVENUES | | | |
| Electric | \$ 9,046,301 | \$ 9,063,135 | \$ 8,446,830 |
| Natural gas | 206,073 | 84,230 | 77,660 |
| Competitive businesses | 2,232,024 | 1,784,793 | 1,581,757 |
| Total | 11,484,398 | 10,932,158 | 10,106,247 |
| OPERATING EXPENSES | | | |
| Operating and maintenance: | | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 2,934,833 | 3,144,073 | 2,176,015 |
| Purchased power | 1,986,950 | 2,138,237 | 2,521,247 |
| Nuclear refueling outage expenses | 180,971 | 169,567 | 162,653 |
| Other operation and maintenance | 2,649,654 | 2,335,364 | 2,122,206 |
| Decommissioning | 167,898 | 145,884 | 143,121 |
| Taxes other than income taxes | 489,058 | 428,561 | 382,521 |
| Depreciation and amortization | 963,712 | 887,792 | 856,377 |
| Other regulatory charges (credits) - net | 54,954 | (122,680) | (49,882) |
| Total | 9,428,030 | 9,126,798 | 8,314,258 |
| OPERATING INCOME | 2,056,368 | 1,805,360 | 1,791,989 |
| OTHER INCOME | | | |
| Allowance for equity funds used during construction | 42,742 | 39,894 | 45,736 |
| Interest and dividend income | 233,997 | 198,835 | 150,479 |
| Equity in earnings of unconsolidated equity affiliates | 3,176 | 93,744 | 985 |
| Miscellaneous - net | (24,860) | 16,114 | 14,251 |
| Total | 255,055 | 348,587 | 211,451 |
| INTEREST AND OTHER CHARGES | | | |
| Interest on long-term debt | 506,089 | 498,451 | 440,334 |
| Other interest - net | 155,995 | 75,502 | 64,646 |
| Allowance for borrowed funds used during construction | (25,032) | (23,931) | (29,376) |
| Preferred dividend requirements and other | 25,105 | 27,783 | 25,427 |
| Total | 662,157 | 577,805 | 501,031 |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 1,649,266 | 1,576,142 | 1,502,409 |
| Income taxes | 514,417 | 443,044 | 559,284 |
| INCOME FROM CONTINUING OPERATIONS | 1,134,849 | 1,133,098 | 943,125 |
| LOSS FROM DISCONTINUED OPERATIONS (net of income tax expense (benefit) of \$67 and (\$24,051), respectively) | - | (496) | (44,794) |
| CONSOLIDATED NET INCOME | \$ 1,134,849 | \$ 1,132,602 | \$ 898,331 |
| Basic earnings (loss) per average common share: | | | |
| Continuing operations | \$5.77 | \$5.46 | \$ 4.49 |
| Discontinued operations | - | - | \$(0.21) |
| Basic earnings per average common share | \$5.77 | \$5.46 | \$ 4.27 |
| Diluted earnings (loss) per average common share: | | | |
| Continuing operations | \$5.60 | \$5.36 | \$ 4.40 |
| Discontinued operations | - | - | \$(0.21) |
| Diluted earnings per average common share | \$5.60 | \$5.36 | \$ 4.19 |
| Dividends declared per common share | \$2.58 | \$2.16 | \$ 2.16 |
| Basic average number of common shares outstanding | 196,572,945 | 207,456,838 | 210,141,887 |
| Diluted average number of common shares outstanding | 202,780,283 | 211,452,455 | 214,441,362 |

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME AND PAID-IN CAPITAL

| In thousands, for the years ended December 31, | 2007 | | 2006 | | 2005 | |
|--|--------------|-------------|--------------|-------------|--------------|-----------|
| RETAINED EARNINGS | | | | | | |
| Retained Earnings – Beginning of period | \$6,113,042 | | \$5,433,931 | | \$4,989,826 | |
| Add: | | | | | | |
| Consolidated net income | 1,134,849 | \$1,134,849 | 1,132,602 | \$1,132,602 | 898,331 | \$898,331 |
| Adjustment related to FIN 48 implementation | (4,600) | | - | | - | |
| Total | 1,130,249 | | 1,132,602 | | 898,331 | |
| Deduct: | | | | | | |
| Dividends declared on common stock | 507,326 | | 448,572 | | 453,657 | |
| Capital stock and other expenses | - | | 4,919 | | 569 | |
| Total | 507,326 | | 453,491 | | 454,226 | |
| Retained Earnings – End of period | \$6,735,965 | | \$6,113,042 | | \$5,433,931 | |
| ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | |
| Balance at beginning of period: | | | | | | |
| Accumulated derivative instrument fair value changes | \$ (105,578) | | \$ (392,614) | | \$ (141,411) | |
| Pension and other postretirement liabilities | (105,909) | | - | | - | |
| Net unrealized investment gains | 104,551 | | 67,923 | | 51,915 | |
| Foreign currency translation | 6,424 | | 3,217 | | 2,615 | |
| Minimum pension liability | - | | (22,345) | | (6,572) | |
| Total | (100,512) | | (343,819) | | (93,453) | |
| Net derivative instrument fair value changes arising during the period (net of tax expense (benefit) of \$57,185, \$187,462 and (\$159,236)) | 93,038 | 93,038 | 287,036 | 287,036 | (251,203) | (251,203) |
| Pension and other postretirement liabilities (net of tax (benefit) of \$29,994 and (\$92,419)) | (1,236) | (1,236) | (75,805) | - | - | - |
| Net unrealized investment gains (net of tax expense of \$23,562, \$28,428, and \$10,573) | 17,060 | 17,060 | 36,628 | 36,628 | 16,008 | 16,008 |
| Foreign currency translation (net of tax expense (benefit) of (\$16), \$1,122, and \$211) | (30) | (30) | 3,207 | 3,207 | 602 | 602 |
| Minimum pension liability (net of tax benefit of (\$5,911) and (\$9,176)) | - | - | (7,759) | (7,759) | (15,773) | (15,773) |
| Balance at end of period: | | | | | | |
| Accumulated derivative instrument fair value changes | (12,540) | | (105,578) | | (392,614) | |
| Pension and other postretirement liabilities | (107,145) | | (105,909) | | - | |
| Net unrealized investment gains | 121,611 | | 104,551 | | 67,923 | |
| Foreign currency translation | 6,394 | | 6,424 | | 3,217 | |
| Minimum pension liability | - | | - | | (22,345) | |
| Total | \$ 8,320 | | \$ (100,512) | | \$ (343,819) | |
| Comprehensive Income | | \$1,243,681 | | \$1,451,714 | | \$647,965 |
| PAID-IN CAPITAL | | | | | | |
| Paid-in Capital – Beginning of period | \$4,827,265 | | \$4,817,637 | | \$4,835,375 | |
| Add (Deduct): | | | | | | |
| Issuance of equity units | - | | - | | (39,904) | |
| Common stock issuances related to stock plans | 23,504 | | 9,628 | | 22,166 | |
| Paid-in Capital – End of period | \$4,850,769 | | \$4,827,265 | | \$4,817,637 | |

See Notes to Financial Statements.

CONSOLIDATED BALANCE SHEETS

In thousands, as of December 31,

2007

2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents:

| | | |
|---|------------|------------|
| Cash | \$ 145,925 | \$ 117,379 |
| Temporary cash investments – at cost, which approximates market | 1,127,076 | 898,773 |
| Total cash and cash equivalents | 1,273,001 | 1,016,152 |
| Note receivable – Entergy New Orleans DIP loan | – | 51,934 |
| Notes receivable | 161 | 699 |
| Accounts receivable: | | |
| Customer | 610,724 | 552,376 |
| Allowance for doubtful accounts | (25,789) | (19,348) |
| Other | 303,060 | 345,400 |
| Accrued unbilled revenues | 288,076 | 249,165 |
| Total accounts receivable | 1,176,071 | 1,127,593 |
| Accumulated deferred income taxes | 38,117 | 11,680 |
| Fuel inventory – at average cost | 208,584 | 193,098 |
| Materials and supplies – at average cost | 692,376 | 604,998 |
| Deferred nuclear refueling outage costs | 172,936 | 147,521 |
| System agreement cost equalization | 268,000 | – |
| Prepayments and other | 129,001 | 171,759 |
| Total | 3,958,247 | 3,325,434 |

OTHER PROPERTY AND INVESTMENTS

| | | |
|--|-----------|-----------|
| Investment in affiliates – at equity | 78,992 | 229,089 |
| Decommissioning trust funds | 3,307,636 | 2,858,523 |
| Non-utility property – at cost (less accumulated depreciation) | 220,204 | 212,726 |
| Other | 82,563 | 47,115 |
| Total | 3,689,395 | 3,347,453 |

PROPERTY, PLANT AND EQUIPMENT

| | | |
|--|------------|------------|
| Electric | 32,959,022 | 30,713,284 |
| Property under capital lease | 740,095 | 730,182 |
| Natural gas | 300,767 | 92,787 |
| Construction work in progress | 1,054,833 | 786,147 |
| Nuclear fuel under capital lease | 361,502 | 336,017 |
| Nuclear fuel | 665,620 | 494,759 |
| Total property, plant and equipment | 36,081,839 | 33,153,176 |
| Less – accumulated depreciation and amortization | 15,107,569 | 13,715,099 |
| Property, plant and equipment – net | 20,974,270 | 19,438,077 |

DEFERRED DEBITS AND OTHER ASSETS

Regulatory assets:

| | | |
|---------------------------------|-----------|-----------|
| SFAS 109 regulatory asset – net | 595,743 | 740,110 |
| Other regulatory assets | 2,971,399 | 2,768,352 |
| Deferred fuel costs | 168,122 | 168,122 |
| Long-term receivables | 7,714 | 19,349 |
| Goodwill | 377,172 | 377,172 |
| Other | 900,940 | 898,662 |
| Total | 5,021,090 | 4,971,767 |

TOTAL ASSETS

\$33,643,002

\$31,082,731

See Notes to Financial Statements.

CONSOLIDATED BALANCE SHEETS

In thousands, as of December 31,

2007

2006

LIABILITIES AND SHAREHOLDERS' EQUITY**CURRENT LIABILITIES**

| | | |
|--|------------|------------|
| Currently maturing long-term debt | \$ 996,757 | \$ 181,576 |
| Notes payable | 25,037 | 25,039 |
| Accounts payable | 1,031,300 | 1,122,596 |
| Customer deposits | 291,171 | 248,031 |
| Taxes accrued | - | 187,324 |
| Interest accrued | 187,968 | 160,831 |
| Deferred fuel costs | 54,947 | 73,031 |
| Obligations under capital leases | 152,615 | 153,246 |
| Pension and other postretirement liabilities | 34,795 | 41,912 |
| System agreement cost equalization | 268,000 | - |
| Other | 214,164 | 271,544 |
| Total | 3,256,754 | 2,465,130 |

NON-CURRENT LIABILITIES

| | | |
|---|------------|------------|
| Accumulated deferred income taxes and taxes accrued | 6,379,679 | 5,820,700 |
| Accumulated deferred investment tax credits | 343,539 | 358,550 |
| Obligations under capital leases | 220,438 | 188,033 |
| Other regulatory liabilities | 490,323 | 449,237 |
| Decommissioning and asset retirement cost liabilities | 2,489,061 | 2,023,846 |
| Transition to competition | - | 79,098 |
| Accumulated provisions | 133,406 | 88,902 |
| Pension and other postretirement liabilities | 1,361,326 | 1,410,433 |
| Long-term debt | 9,728,135 | 8,798,087 |
| Preferred stock with sinking fund | - | 10,500 |
| Other | 1,066,508 | 847,415 |
| Total | 22,212,415 | 20,074,801 |

Commitments and Contingencies

| | | |
|--------------------------------------|---------|---------|
| Preferred stock without sinking fund | 311,162 | 344,913 |
|--------------------------------------|---------|---------|

SHAREHOLDERS' EQUITY

| | | |
|---|-----------|-----------|
| Common stock, \$.01 par value, authorized 500,000,000 shares; issued 248,174,087 shares in 2007 and in 2006 | 2,482 | 2,482 |
| Paid-in capital | 4,850,769 | 4,827,265 |
| Retained earnings | 6,735,965 | 6,113,042 |
| Accumulated other comprehensive income (loss) | 8,320 | (100,512) |
| Less - treasury stock, at cost (55,053,847 shares in 2007 and 45,506,311 shares in 2006) | 3,734,865 | 2,644,390 |
| Total | 7,862,671 | 8,197,887 |

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$33,643,002

\$31,082,731

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| In thousands, for the years ended December 31, | 2007 | 2006 | 2005 |
|---|--------------|--------------|-------------|
| OPERATING ACTIVITIES | | | |
| Consolidated net income | \$ 1,134,849 | \$ 1,132,602 | \$ 898,331 |
| Adjustments to reconcile consolidated net income to net cash flow provided by operating activities: | | | |
| Reserve for regulatory adjustments | (15,574) | 36,352 | (82,033) |
| Other regulatory charges (credits) – net | 54,954 | (122,680) | (49,882) |
| Depreciation, amortization, and decommissioning | 1,131,610 | 1,035,153 | 1,001,852 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 476,241 | 738,643 | 487,804 |
| Equity in earnings (loss) of unconsolidated equity affiliates – net of dividends | (3,176) | 4,436 | 4,315 |
| Provisions for asset impairments and restructuring charges | – | – | 39,767 |
| Changes in working capital: | | | |
| Receivables | (62,646) | 408,042 | (367,351) |
| Fuel inventory | (10,445) | 13,097 | (83,125) |
| Accounts payable | (103,048) | (83,884) | 303,194 |
| Taxes accrued | (187,324) | (835) | (33,306) |
| Interest accrued | 11,785 | 5,975 | 15,133 |
| Deferred fuel | 912 | 582,947 | (236,801) |
| Other working capital accounts | (73,269) | 64,479 | (45,653) |
| Provision for estimated losses and reserves | (59,292) | 39,822 | (3,704) |
| Changes in other regulatory assets | 254,736 | (127,305) | (311,934) |
| Other | 9,457 | (279,005) | (68,799) |
| Net cash flow provided by operating activities | 2,559,770 | 3,447,839 | 1,467,808 |
| INVESTING ACTIVITIES | | | |
| Construction/capital expenditures | (1,578,030) | (1,633,268) | (1,458,086) |
| Allowance for equity funds used during construction | 42,742 | 39,894 | 45,736 |
| Nuclear fuel purchases | (408,732) | (326,248) | (314,414) |
| Proceeds from sale/leaseback of nuclear fuel | 169,066 | 135,190 | 184,403 |
| Proceeds from sale of assets and businesses | 13,063 | 77,159 | – |
| Payment for purchase of plant | (336,211) | (88,199) | (162,075) |
| Insurance proceeds received for property damages | 83,104 | 18,828 | – |
| Decrease in other investments | 41,720 | (6,353) | 9,905 |
| Purchases of other temporary investments | – | – | (1,591,025) |
| Liquidation of other temporary investments | – | – | 1,778,975 |
| Proceeds from nuclear decommissioning trust fund sales | 1,583,584 | 777,584 | 944,253 |
| Investment in nuclear decommissioning trust funds | (1,708,764) | (884,123) | (1,039,824) |
| Other regulatory investments | – | (38,037) | (390,456) |
| Net cash flow used in investing activities | (2,098,458) | (1,927,573) | (1,992,608) |

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| In thousands, for the years ended December 31, | 2007 | 2006 | 2005 |
|---|--------------|--------------|-------------|
| FINANCING ACTIVITIES | | | |
| Proceeds from the issuance of: | | | |
| Long-term debt | 2,866,136 | 1,837,713 | 4,302,570 |
| Preferred equity | 10,000 | 73,354 | 127,995 |
| Common stock and treasury stock | 78,830 | 70,455 | 106,068 |
| Retirement of long-term debt | (1,369,945) | (1,804,373) | (2,689,206) |
| Repurchase of common stock | (1,215,578) | (584,193) | (878,188) |
| Redemption of preferred stock | (57,827) | (183,881) | (33,719) |
| Changes in credit line borrowings – net | – | (15,000) | 39,850 |
| Dividends paid: | | | |
| Common stock | (507,327) | (448,954) | (453,508) |
| Preferred stock | (25,875) | (28,848) | (25,472) |
| Net cash flow provided by (used in) financing activities | (221,586) | (1,083,727) | 496,390 |
| Effect of exchange rates on cash and cash equivalents | 30 | (3,207) | (602) |
| Net increase (decrease) in cash and cash equivalents | 239,756 | 433,332 | (29,012) |
| Cash and cash equivalents at beginning of period | 1,016,152 | 582,820 | 619,786 |
| Effect of the reconsolidation of Entergy New Orleans on cash and cash equivalents | 17,093 | – | – |
| Effect of the deconsolidation of Entergy New Orleans on cash and cash equivalents | – | – | (7,954) |
| Cash and cash equivalents at end of period | \$ 1,273,001 | \$ 1,016,152 | \$ 582,820 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid/(received) during the period for:

| | | | |
|--------------------------------------|------------|--------------|------------|
| Interest – net of amount capitalized | \$ 611,197 | \$ 514,189 | \$ 461,345 |
| Income taxes | \$ 376,808 | \$ (147,435) | \$ 116,072 |

See Notes to Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries. As required by generally accepted accounting principles, all significant intercompany transactions have been eliminated in the consolidated financial statements. The Registrant Subsidiaries and many other Entergy subsidiaries maintain accounts in accordance with FERC and other regulatory guidelines. Certain previously reported amounts have been reclassified to conform to current classifications, with no effect on net income or shareholders' equity.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

In conformity with generally accepted accounting principles, the preparation of Entergy Corporation's consolidated financial statements and the separate financial statements of the Registrant Subsidiaries requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used.

REVENUES AND FUEL COSTS

Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, Louisiana, Mississippi, and Texas, respectively. Entergy Gulf States Louisiana also distributes gas to retail customers in and around Baton Rouge, Louisiana. Entergy New Orleans sells both electric power and gas to retail customers in the City of New Orleans, except for Algiers, where Entergy Louisiana is the electric power supplier. Entergy's Non-Utility Nuclear segment derives almost all of its revenue from sales of electric power generated by plants owned by the Non-Utility Nuclear segment.

Entergy recognizes revenue from electric power and gas sales when power or gas is delivered to customers. To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies accrue an estimate of the revenues for energy delivered since the latest billings. The Utility operating companies calculate the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and prices in effect in Entergy's Utility operating companies' various jurisdictions. Changes are made to the inputs in the estimate as needed to reflect changes in billing practices. Each month the estimated unbilled revenue amounts are recorded as revenue and unbilled accounts receivable, and the prior month's estimate is reversed. Therefore, changes in price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the next, and may result in variability in reported revenues from one period to the next as prior estimates are reversed and new estimates recorded.

Entergy's Utility operating companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Because the fuel adjustment clause mechanism allows monthly adjustments to recover fuel costs, Entergy New Orleans and, prior to 2006, Entergy Louisiana and Entergy Gulf States Louisiana include a component of fuel cost recovery in their unbilled revenue calculations. Effective January 1, 2006, however, for Entergy Louisiana and Entergy Gulf States Louisiana this fuel component of unbilled accounts receivable was reclassified to a deferred fuel asset and is no longer included in the unbilled revenue calculations, which is in accordance with regulatory treatment. Where the fuel component of revenues is billed based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. Entergy Mississippi's fuel factor includes an energy cost rider that is adjusted quarterly. In the case of Entergy Arkansas and Entergy Texas, a portion of their fuel under-recoveries is treated in the cash flow statements as regulatory investments because those companies are allowed by their regulatory jurisdictions to recover the fuel cost regulatory asset over longer than a twelve-month period, and the companies earn a carrying charge on the under-recovered balances.

System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is stated at original cost. Depreciation is computed on the straight-line basis at rates based on the applicable estimated service lives of the various classes of property. For the Utility operating companies and System Energy, the original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the Utility operating companies' and System Energy's plant is subject to mortgage liens.

Electric plant includes the portions of Grand Gulf and Waterford 3 that have been sold and leased back. For financial reporting purposes, these sale and leaseback arrangements are reflected as financing transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Net property, plant, and equipment for Entergy (including property under capital lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2007 and 2006, is shown below (in millions):

| 2007 | Non-Utility | | | | 2006 | Non-Utility | | | |
|---|-----------------|-----------------|----------------|--------------|---|-----------------|-----------------|----------------|--------------|
| | Entergy | Utility | Nuclear | All Other | | Entergy | Utility | Nuclear | All Other |
| Production: | | | | | Production: | | | | |
| Nuclear | \$ 8,031 | \$ 5,654 | \$ 2,377 | \$ - | Nuclear | \$ 7,558 | \$ 5,835 | \$ 1,723 | \$ - |
| Other | 1,571 | 1,364 | - | 207 | Other | 1,610 | 1,373 | - | 237 |
| Transmission | 2,569 | 2,539 | 30 | - | Transmission | 2,500 | 2,500 | - | - |
| Distribution | 5,206 | 5,206 | - | - | Distribution | 5,041 | 5,041 | - | - |
| Other | 1,626 | 1,341 | 254 | 31 | Other | 1,113 | 1,111 | - | 2 |
| Construction work in progress | 1,060 | 859 | 192 | 9 | Construction work in progress | 786 | 602 | 175 | 9 |
| Nuclear fuel (leased and owned) | 911 | 400 | 511 | - | Nuclear fuel (leased and owned) | 830 | 476 | 354 | - |
| Property, plant, and equipment - net | \$20,974 | \$17,363 | \$3,364 | \$247 | Property, plant, and equipment - net | \$19,438 | \$16,938 | \$2,252 | \$248 |

Depreciation rates on average depreciable property for Entergy approximated 2.7% in 2007, 2006, and 2005. Included in these rates are the depreciation rates on average depreciable utility property of 2.6% in each of those years and the depreciation rates on average depreciable non-utility property of 3.6% in 2007, 3.6% in 2006, and 3.2% in 2005.

"Non-utility property - at cost (less accumulated depreciation)" for Entergy is reported net of accumulated depreciation of \$177.1 million and \$167.5 million as of December 31, 2007 and 2006, respectively.

JOINTLY-OWNED GENERATING STATIONS

Certain Entergy subsidiaries jointly own electric generating facilities with affiliates or third parties. The investments and expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2007, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows (in millions):

| Generating Stations | | Fuel-Type | Total Megawatt Capability ⁽¹⁾ | Ownership | Investment | Accumulated Depreciation |
|-------------------------------|-----------------------------------|-----------|--|-----------------------|------------|-----------------------------|
| Utility: | | | | | | |
| Entergy Arkansas | | | | | | |
| Independence | Unit 1 | Coal | 836 | 31.50% | \$ 120 | \$ 85 |
| | Common Facilities | Coal | | 15.75% | \$ 31 | \$ 21 |
| White Bluff | Units 1 and 2 | Coal | 1,640 | 57.00% | \$ 452 | \$ 301 |
| Entergy Gulf States Louisiana | | | | | | |
| Roy S. Nelson | Unit 6 | Coal | 550 | 40.25% | \$ 242 | \$ 153 |
| Big Cajun 2 | Unit 3 | Coal | 575 | 24.15% | \$ 135 | \$ 85 |
| Entergy Mississippi | | | | | | |
| Independence | Units 1 and 2 & Common Facilities | Coal | 1,678 | 25.00% | \$ 238 | \$ 127 |
| Entergy Texas | | | | | | |
| Roy S. Nelson | Unit 6 | Coal | 550 | 29.75% | \$ 179 | \$ 111 |
| Big Cajun 2 | Unit 3 | Coal | 575 | 17.85% | \$ 100 | \$ 62 |
| System Energy | | | | | | |
| Grand Gulf | Unit 1 | Nuclear | 1,268 | 90.00% ⁽²⁾ | \$3,987 | \$2,101 |
| Non-Nuclear Wholesale Assets: | | | | | | |
| Harrison County | | Gas | 550 | 60.90% | \$ 214 | \$ 20 |
| Warren | | Gas | 300 | 75.00% | \$ 21 | \$ 8 |

(1) "Total Megawatt Capability" is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.

(2) Includes an 11.5% leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 10 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NUCLEAR REFUELING OUTAGE COSTS

Nuclear refueling outage costs are deferred during the outage and amortized over the estimated period to the next outage because these refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Prior to 2006, River Bend's costs were accrued in advance of the outage and included in the cost of service used to establish retail rates. Entergy Gulf States Louisiana relieved the accrued liability when it incurred costs during the next River Bend outage. In 2006, Entergy Gulf States Louisiana adopted FSP No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities," for its River Bend nuclear refueling outage costs and now accounts for these costs in the same manner as Entergy's other subsidiaries. Adoption of FSP No. AUG AIR-1 resulted in an immaterial retrospective adjustment to Entergy's and Entergy Gulf States Louisiana's retained earnings balance.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction by the Utility operating companies and System Energy. AFUDC increases both the plant balance and earnings, and is realized in cash through depreciation provisions included in rates.

INCOME TAXES

Entergy Corporation and the majority of its subsidiaries file a United States consolidated federal income tax return. Entergy Louisiana, formed December 31, 2005, is not a member of the consolidated group and files a separate federal income tax return. Income taxes are allocated to the subsidiaries in proportion to their contribution to consolidated taxable income. In accordance with SFAS 109, "Accounting for Income Taxes," deferred income taxes are recorded for all temporary differences between the book and tax basis of assets and liabilities, and for certain credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted.

Investment tax credits are deferred and amortized based upon the average useful life of the related property, in accordance with ratemaking treatment.

EARNINGS PER SHARE

The following table presents Entergy's basic and diluted earnings per share calculation included on the consolidated statements of income (in millions, except per share data):

| For the Years Ended December 31, | 2007 | 2006 | 2005 |
|---|--------------|--------------|--------------|
| | \$/share | \$/share | \$/share |
| Income from continuing operations | \$1,134.8 | \$1,133.1 | \$943.1 |
| Average numbers of common shares outstanding - basic | 196.6 \$5.77 | 207.5 \$5.46 | 210.1 \$4.49 |
| Average dilutive effect of: | | | |
| Stock options | 5.0 (0.142) | 3.8 (0.098) | 4.0 (0.085) |
| Equity units | 1.1 (0.033) | - | - |
| Deferred units | 0.1 (0.003) | 0.2 (0.005) | 0.3 (0.006) |
| Average number of common shares outstanding - diluted | 202.8 \$5.60 | 211.5 \$5.36 | 214.4 \$4.40 |
| Consolidated net income | \$1,134.8 | \$1,132.6 | \$898.3 |
| Average number of common shares outstanding - basic | 196.6 \$5.77 | 207.5 \$5.46 | 210.1 \$4.27 |
| Average dilutive effect of: | | | |
| Stock options | 5.0 (0.142) | 3.8 (0.098) | 4.0 (0.081) |
| Equity units | 1.1 (0.033) | - | - |
| Deferred units | 0.1 (0.003) | 0.2 (0.005) | 0.3 (0.005) |
| Average number of common shares outstanding - diluted | 202.8 \$5.60 | 211.5 \$5.36 | 214.4 \$4.19 |

Stock options to purchase approximately 1,727,579 common stock shares in 2005 at various prices were outstanding at the end of those years that were not included in the computation of diluted earnings per share because the exercise prices of those options were greater than the common share average market price at the end of each of the years presented. All options to purchase common stock shares in 2007 and 2006 were included in the computation of diluted earnings per share because the common share average market price at the end of 2007 and 2006 was greater than the exercise prices of all of the options outstanding.

Entergy has 10,000,000 equity units outstanding as of December 31, 2007 that obligate the holders to purchase a certain number of shares of Entergy common stock for a stated price no later than February 17, 2009. Each contract executed prior to February 17, 2009 would be equal to 0.5727 common stock shares. The equity units were not included in the calculation at December 31, 2006 and 2005 because Entergy's average stock price for the year was less than the threshold appreciation price of the equity units.

STOCK-BASED COMPENSATION PLANS

Entergy grants stock options to key employees of the Entergy subsidiaries, which is described more fully in Note 12 to the financial statements. Effective January 1, 2003, Entergy prospectively adopted the fair value based method of accounting for stock options prescribed by SFAS 123, "Accounting for Stock-Based Compensation." Awards under Entergy's plans vest over three years. Stock-based compensation expense included in consolidated net income, net of related tax effects, for 2007 is \$8.9 million, for 2006 is \$6.8 million, and for 2005 is \$7.8 million for Entergy's stock options granted.

APPLICATION OF SFAS 71

Entergy's Utility operating companies and System Energy currently account for the effects of regulation pursuant to SFAS 71, "Accounting for the Effects of Certain Types of Regulation." This statement applies to the financial statements of a rate-regulated enterprise that meets three criteria. The enterprise must have rates that (i) are approved by a body empowered to set rates that bind customers (its regulator); (ii) are cost-based; and (iii) can be charged to and collected from customers. These criteria may also be applied to separable portions of a utility's business, such as the generation or transmission functions, or to specific classes of customers. If an enterprise meets these criteria, it capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. SFAS 71 requires that rate-regulated enterprises continue to assess the probability of recovering their regulatory assets. When an enterprise concludes that recovery of a regulatory asset is no longer probable, the regulatory asset must be removed from the entity's balance sheet.

SFAS 101, "Accounting for the Discontinuation of Application of FASB Statement No. 71," specifies how an enterprise that ceases to meet the criteria for application of SFAS 71 for all or part of its operations should report that event in its financial statements. In general, SFAS 101 requires that the enterprise report the discontinuation of the application of SFAS 71 by eliminating from its balance sheet all regulatory assets and liabilities related to the applicable operations. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs and therefore no longer qualifies for SFAS 71 accounting, it is possible that an impairment may exist that could require further write-offs of plant assets.

FASB's Emerging Issues Task Force (EITF) 97-4: "Deregulation of the Pricing of Electricity - Issues Related to the Application of FASB Statements No. 71 and 101" specifies that SFAS 71 should be discontinued at a date no later than when the effects of a transition to competition plan for all or a portion of the entity subject to such plan are reasonably determinable. Additionally, EITF 97-4 promulgates that regulatory assets to be recovered through cash flows derived from another portion of the entity that continues to apply SFAS 71 should not be written off; rather, they should be considered regulatory assets of the portion of the entity that will continue to apply SFAS 71.

See Note 2 to the financial statements for discussion of transition to competition activity in the retail regulatory jurisdictions served by Entergy's Utility operating companies.

CASH AND CASH EQUIVALENTS

Entergy considers all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at date of purchase to be cash equivalents. Investments with original maturities of more than three months are classified as other temporary investments on the balance sheet.

INVESTMENTS

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, Entergy records the decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Utility operating companies and System Energy to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Utility operating companies and System Energy have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the nonregulated

portion of River Bend, Entergy Gulf States Louisiana has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits. Decommissioning trust funds for Pilgrim, Indian Point 2, Vermont Yankee, and Palisades do not receive regulatory treatment. Accordingly, unrealized gains recorded on the assets in these trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity because these assets are classified as available for sale. Unrealized losses (where cost exceeds fair market value) on the assets in these trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. The assessment of whether an investment has suffered an other than temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. See Note 17 to the financial statements for details on the decommissioning trust funds.

EQUITY METHOD INVESTEEES

Entergy owns investments that are accounted for under the equity method of accounting because Entergy's ownership level results in significant influence, but not control, over the investee and its operations. Entergy records its share of earnings or losses of the investee based on the change during the period in the estimated liquidation value of the investment, assuming that the investee's assets were to be liquidated at book value. In accordance with this method, earnings are allocated to owners or members based on what each partner would receive from its capital account if, hypothetically, liquidation were to occur at the balance sheet date and amounts distributed were based on recorded book values. Entergy discontinues the recognition of losses on equity investments when its share of losses equals or exceeds its carrying amount for an investee plus any advances made or commitments to provide additional financial support. See Note 14 to the financial statements for additional information regarding Entergy's equity method investments.

DERIVATIVE FINANCIAL INSTRUMENTS AND COMMODITY DERIVATIVES

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, at fair value, unless they meet the normal purchase, normal sales criteria. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction.

Contracts for commodities that will be delivered in quantities expected to be used or sold in the ordinary course of business, including certain purchases and sales of power and fuel, are not classified as derivatives. These contracts are exempted under the normal purchase, normal sales criteria of SFAS 133. Revenues and expenses from these contracts are reported on a gross basis in the appropriate revenue and expense categories as the commodities are received or delivered.

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

hedged. Gains or losses accumulated in other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of all hedges are recognized in current-period earnings.

Entergy has determined that contracts to purchase uranium do not meet the definition of a derivative under SFAS 133 because they do not provide for net settlement and the uranium markets are not sufficiently liquid to conclude that forward contracts are readily convertible to cash. If the uranium markets do become sufficiently liquid in the future and Entergy begins to account for uranium purchase contracts as derivative instruments, the fair value of these contracts would be accounted for consistent with Entergy's other derivative instruments.

FAIR VALUES

The estimated fair values of Entergy's financial instruments and derivatives are determined using bid prices and market quotes. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment of stockholders. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments.

IMPAIRMENT OF LONG-LIVED ASSETS

Entergy periodically reviews long-lived assets held in all of its business segments whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from such operations and assets. Projected net cash flows depend on the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy over the remaining life of the assets. See Note 13 to the financial statements for a discussion of the asset impairment recognized by Entergy in 2005.

RIVER BEND AFUDC

The River Bend AFUDC gross-up is a regulatory asset that represents the incremental difference imputed by the LPSC between the AFUDC actually recorded by Entergy Gulf States Louisiana on a net-of-tax basis during the construction of River Bend and what the AFUDC would have been on a pre-tax basis. The imputed amount was only calculated on that portion of River Bend that the LPSC allowed in rate base and is being amortized through August 2025.

REACQUIRED DEBT

The premiums and costs associated with reacquired debt of Entergy's Utility operating companies and System Energy (except that portion allocable to the deregulated operations of Entergy Gulf States Louisiana) are included in regulatory assets and are being amortized over the life of the related new issuances, in accordance with ratemaking treatment.

TAXES IMPOSED ON REVENUE-PRODUCING TRANSACTIONS

Governmental authorities assess taxes that are both imposed on and concurrent with a specific revenue-producing transaction between a seller and a customer, including, but not limited to, sales, use, value added, and some excise taxes. Entergy presents these taxes on a net basis, excluding them from revenues, unless required to report them differently by a regulatory authority.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006 the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 generally does not require any new fair value measurements. However, in some cases, the application of SFAS 157 in the future may change Entergy's practice for measuring and disclosing fair values under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for Entergy in the first quarter 2008 and will be applied prospectively. Entergy does not expect the application of SFAS 157 to materially affect its financial position, results of operations, or cash flows.

The FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159) during the first quarter 2007. SFAS 159 provides an option for companies to select certain financial assets and liabilities to be accounted for at fair value with changes in the fair value of those assets or liabilities being reported through earnings. The intent of the standard is to mitigate volatility in reported earnings caused by the application of the more complicated fair value hedging accounting rules. Under SFAS 159, companies can select existing assets or liabilities for this fair value option concurrent with the effective date of January 1, 2008 for companies with fiscal years ending December 31 or can select future assets or liabilities as they are acquired or entered into. Entergy does not expect that the adoption of this standard will have a material effect on its financial position, results of operations, or cash flows.

The FASB issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" (SFAS 141(R)) during the fourth quarter 2007. The significant provisions of SFAS 141R are that: (i) assets, liabilities and non-controlling (minority) interests will be measured at fair market value; (ii) costs associated with the acquisition such as transaction-related costs or restructuring costs will be separately recorded from the acquisition and expensed as incurred; (iii) any excess of fair market value of the assets, liabilities and minority interests acquired over the fair market value of the purchase price will be recognized as a bargain purchase and a gain recorded at the acquisition date; and (iv) contractual contingencies resulting in potential future assets or liabilities will be recorded at fair market value at the date of acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 141(R) before that date.

The FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160) during the fourth quarter 2007. SFAS 160 enhances disclosures surrounding minority interests in the balance sheet, income statement and statement of comprehensive income. SFAS 160 will also require a parent to record a gain or loss when a subsidiary in which it retains a minority interest is deconsolidated from the parent company. SFAS 160 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 160 before that date.

In April 2007 the FASB issued Staff Position No. 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1). FSP FIN 39-1 allows an entity to offset the fair value of a receivable or payable against the fair value of a derivative that is executed with the same counterparty under a master netting arrangement. This guidance becomes effective for fiscal years beginning after November 15, 2007. Entergy does not expect these provisions to have a material effect on its financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. RATE AND REGULATORY MATTERS

REGULATORY ASSETS

Other Regulatory Assets

The Utility business is subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. In addition to the regulatory assets that are specifically disclosed on the face of the balance sheets, the table below provides detail of "Other regulatory assets" that are included on Enterger's balance sheets and the Registrant Subsidiaries' balance sheets as of December 31, 2007 and 2006 (in millions):

| Enterger | 2007 | 2006 |
|---|------------------|------------------|
| Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 9) ^(b) | \$ 334.9 | \$ 303.2 |
| Deferred capacity - recovery timing will be determined by the LPSC in the formula rate plan filings (Note 2 - Retail Rate Proceedings - Filings with the LPSC) | 86.4 | 127.5 |
| Deferred fuel - non-current - recovered through rate riders when rates are redetermined periodically (Note 2 - Fuel and purchased power cost recovery) | 32.8 | 43.4 |
| Depreciation re-direct - recovery begins at start of retail open access (Note 1 - Transition to Competition Liabilities) ^(b) | - | 79.1 |
| DOE Decommissioning and Decontamination Fees - recovered through fuel rates until December 2007 (Note 9) | - | 9.1 |
| Gas hedging costs - recovered through fuel rates | 9.7 | 47.6 |
| Pension & postretirement costs (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) ^(b) | 675.1 | 700.7 |
| Postretirement benefits - recovered through 2012 (Note 11 - Other Postretirement Benefits) ^(b) | 12.0 | 14.4 |
| Provision for storm damages, including Hurricanes Katrina and Rita costs - recovered through securitization, insurance proceeds, and retail rates (Note 2 - Storm Cost Recovery Filings with Retail Regulators) ^(a) | 1,339.8 | 827.4 |
| Removal costs - recovered through depreciation rates (Note 9) ^(b) | - | 113.2 |
| River Bend AFUDC - recovered through August 2025 (Note 1 - River Bend AFUDC) | 31.8 | 33.7 |
| Sale-leaseback deferral - recovered through June 2014 (Note 10 - Sale and Leaseback Transactions - Grand Gulf Lease Obligations) ^(b) | 103.9 | 114.0 |
| Spindletop gas storage facility - recovered through December 2032 ^(c) | 37.4 | 39.0 |
| Transition to competition - recovered through February 2021 (Note 2 - Retail Rate Proceedings - Filings with the PUCT and Texas Cities) | 112.9 | 117.8 |
| Unamortized loss on reacquired debt - recovered over term of debt | 137.1 | 150.1 |
| Other | 57.6 | 48.2 |
| Total | \$2,971.4 | \$2,768.4 |

(a) As a result of Hurricane Katrina and Hurricane Rita that hit Enterger's Utility service territories in August and September 2005, the Utility operating companies recorded accruals for the estimated storm restoration costs and originally recorded some of these costs as regulatory assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. Enterger is pursuing a broad range of initiatives to recover storm restoration costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for Hurricanes Katrina and Rita including Community Development Block Grants (CDBG), pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies, and securitization. Enterger Gulf States Louisiana, Enterger Louisiana, Enterger Mississippi, Enterger New Orleans, and Enterger Texas have received approval from state regulators for recovery of a portion of the storm restoration costs. In addition, these companies have received insurance proceeds

and Enterger New Orleans has received \$180.8 million of CDBG funding in 2007. The cost recovery mechanisms and approvals are discussed below. In 2007, Enterger Gulf States Louisiana reclassified \$81 million and Enterger Louisiana reclassified \$364 million of storm-related capital expenditures to a regulatory asset based on the outcome of regulatory proceedings.

(b) Does not earn a return on investment, but is offset by related liabilities.

(c) Does not earn a return on investment at this time.

Fuel and Purchased Power Cost Recovery

Enterger Arkansas, Enterger Gulf States Louisiana, Enterger Louisiana, Enterger Mississippi, Enterger New Orleans, and Enterger Texas are allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is recorded as "Deferred fuel costs" on the Utility operating companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2007 and 2006 that Enterger expects to recover or (refund) through fuel mechanisms, subject to subsequent regulatory review (in millions):

| | 2007 | 2006 |
|---|-----------|----------|
| Enterger Arkansas | \$114.8 | \$ 2.2 |
| Enterger Gulf States Louisiana ^(a) | \$105.8 | \$ 73.9 |
| Enterger Louisiana ^(a) | \$ 19.2 | \$114.3 |
| Enterger Mississippi | \$(76.6) | \$(95.2) |
| Enterger New Orleans ^(b) | \$ 17.3 | \$ 19.0 |
| Enterger Texas | \$(67.3) | \$(45.7) |

(a) 2007 and 2006 include \$100.1 million for Enterger Gulf States Louisiana and \$68 million for Enterger Louisiana of fuel, purchased power, and capacity costs that are expected to be recovered over a period greater than twelve months.

(b) Not included in "Deferred Fuel Costs" on Enterger's consolidated financial statements in 2006 due to the deconsolidation of Enterger New Orleans effective in 2005. Enterger reconsolidated Enterger New Orleans in 2007.

Enterger Arkansas

Production Cost Allocation Rider

In its June 2007 decision on Enterger Arkansas' August 2006 rate filing, discussed below in "Retail Rate Proceedings", the APSC approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Enterger Arkansas as a result of the System Agreement proceedings, but set a termination date of December 31, 2008 for the rider. These costs are the primary reason for the increase in Enterger Arkansas' deferred fuel cost balance in 2007, because Enterger Arkansas pays them over seven months but collects them from customers over twelve months. In December 2007, the APSC issued a subsequent order stating the production cost allocation rider will remain in effect, and any future termination of the rider will be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing. See Enterger Corporation and Subsidiaries' "Management's Financial Discussion And Analysis - Significant Factors and Known Trends - Federal Regulation - System Agreement Proceedings" for a discussion of the System Agreement proceedings.

Energy Cost Recovery Rider

Entergy Arkansas' retail rates include an energy cost recovery rider. In December 2007, the APSC issued an order stating that Entergy Arkansas' energy cost recovery rider will remain in effect, and any future termination of the rider will be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing.

In March 2007, Entergy Arkansas filed its annual redetermination of its energy cost rate and implemented a rate of \$0.01179 per kWh in April 2007, which will be effective through March 2008. This updated rate was a reduction from the prior rate of \$0.02827 per kWh filed with the APSC in March 2006. The March 2006 rate was significantly higher than prior periods due to increases in the cost of purchased power primarily due to increased natural gas cost and the effect that Hurricane Katrina and Hurricane Rita had on market conditions, increased demand for purchased power during the ANO 1 refueling and steam generator replacement outage in the fall of 2005, and coal plant generation curtailments during off-peak periods due to railroad delivery problems.

APSC Investigations

In September 2005, Entergy Arkansas filed with the APSC an interim energy cost rate per the energy cost recovery rider, which provides for an interim adjustment should the cumulative over- or under-recovery for the energy period exceed 10 percent of the energy costs for that period. As of the end of July 2005, the cumulative under-recovery of fuel and purchased power expenses had exceeded the 10 percent threshold due to increases in purchased power expenditures resulting from higher natural gas prices. The interim cost rate of \$0.01900 per kWh became effective the first billing cycle in October 2005.

In early October 2005, the APSC initiated an investigation into Entergy Arkansas' interim energy cost rate. The investigation is focused on Entergy Arkansas' 1) gas contracting, portfolio, and hedging practices; 2) wholesale purchases during the period; 3) management of the coal inventory at its coal generation plants; and 4) response to the contractual failure of the railroads to provide coal deliveries. In March 2006, the APSC extended its investigation to cover the costs included in Entergy Arkansas' March 2006 filing that requested an energy cost rate of \$0.02827 per kWh, suspended implementation of the \$0.02827 per kWh energy cost rate, and ordered that the \$0.01900 per kWh interim rate remain in effect pending the APSC proceedings on the energy cost recovery filings. On April 7, 2006, the APSC issued a show cause order in the investigation proceeding that ordered Entergy Arkansas to file a cost of service study by June 8, 2006. The order also directed Entergy Arkansas to file testimony to support the cost of service study, to support the \$0.02827 per kWh cost rate, and to address the general topic of elimination of the energy cost recovery rider.

In June 2006, Entergy Arkansas filed a cost of service study and testimony supporting the redetermined energy cost rate of \$0.02827 per kWh and testimony addressing the prospective elimination of the energy cost recovery rider as ordered by the APSC. Entergy Arkansas also filed a motion with the APSC seeking again to implement the redetermined energy cost rate of \$0.02827 per kWh. After a hearing, the APSC approved Entergy Arkansas' request and the redetermined rate was implemented in July 2006, subject to refund pending the outcome of the APSC energy cost recovery investigation. A hearing was held in the APSC energy cost recovery investigation in October 2006.

In January 2007, the APSC issued an order in its review of Entergy Arkansas' September 2005 interim rate. The APSC found that Entergy Arkansas failed to maintain an adequate coal inventory level going into the summer of 2005 and that Entergy Arkansas should be responsible

for any incremental energy costs resulting from two outages caused by employee and contractor error. The coal plant generation curtailments were caused by railroad delivery problems and Entergy is currently in litigation with the railroad regarding the delivery problems. The APSC staff was directed to perform an analysis with Entergy Arkansas' assistance to determine the additional fuel and purchased energy costs associated with these findings and file the analysis within 60 days of the order. After a final determination of the costs is made by the APSC, Entergy Arkansas would be directed to refund that amount with interest to its customers as a credit on the energy cost recovery rider. The order also stated that the APSC would address any additional issues regarding the energy cost recovery rider in Entergy Arkansas' rate case filed in August 2006. Entergy Arkansas requested rehearing of the order. In March 2007, in order to allow further consideration by the APSC, the APSC granted Entergy Arkansas' petition for rehearing and for stay of the APSC order. The APSC has taken no action in the proceeding since this March 2007 order.

Entergy Texas

Entergy Texas' rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including carrying charges, not recovered in base rates. The fixed fuel factor formula was revised and approved by a PUCT order in August 2006. The new formula was implemented in September 2006. Under the new methodology, semi-annual revisions of the fixed fuel factor will continue to be made in March and September based on the market price of natural gas and changes in fuel mix. Entergy Texas will likely continue to use this methodology until the start of retail open access, which has been delayed. The amounts collected under Entergy Texas' fixed fuel factor and any interim surcharge implemented until the date retail open access commences are subject to fuel reconciliation proceedings before the PUCT.

Entergy Texas filed with the PUCT in July 2005 a request for implementation of an incremental purchased capacity recovery rider, consistent with the Texas legislation discussed below under "Electric Industry Restructuring." Through this rider, Entergy Texas sought to recover \$23.1 million annually in incremental revenues which represents the incremental purchased capacity costs, including Entergy Texas' obligation to purchase power from Entergy Louisiana's recently acquired Perryville plant, over what is already in Entergy Texas' base rates. A non-unanimous settlement was reached with most of the parties that allowed for the implementation of an \$18 million annual rider effective December 1, 2005. The settlement also provided for a fuel reconciliation to be filed by Entergy Texas by May 15, 2006, which has been filed as discussed below, that would resolve the remaining issues in the case with the exception of the amount of purchased power in current base rates and the costs to which load growth is attributed, both of which were settled. The hearing with respect to the non-unanimous settlement was conducted in October 2005 before an Administrative Law Judge (ALJ), who issued a Proposal for Decision supporting the settlement. In December 2005, the PUCT approved the settlement and entered an order consistent with this approval in February 2006. The amounts collected by the purchased capacity recovery rider are subject to reconciliation.

In September 2007, Entergy Texas filed with the PUCT a request to increase its incremental purchased capacity recovery rider to collect approximately \$25 million on an annual basis. This filing also includes a request to implement an interim surcharge to collect approximately \$10 million in under-recovered incremental purchased capacity costs incurred through July 2007. In January 2008, Entergy Texas filed with the PUCT a stipulation and settlement agreement among the parties that agrees to implementation of the interim

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

surcharge over a two-month period and agrees that the incremental capacity recovery rider will be set to collect \$21 million on an annual basis effective February 2008. Amounts collected through the rider and interim surcharge are subject to final reconciliation.

In October 2007, Entergy Texas filed a request with the PUCT to refund \$45.6 million, including interest, of fuel cost recovery over-collections through September 2007. In January 2008, Entergy Texas filed with the PUCT a stipulation and settlement agreement among the parties that updated the over-collection balance through November 2007 and establishes a refund amount, including interest, of \$71 million. The refund is to be made over a two-month period beginning February 2008. The PUCT approved the agreement in February 2008. Amounts refunded through the interim fuel refund are subject to final reconciliation in a future fuel reconciliation proceeding.

In March 2007, Entergy Texas filed a request with the PUCT to refund \$78.5 million, including interest, of fuel cost recovery over-collections through January 2007. In June 2007 the PUCT approved a unanimous stipulation and settlement agreement that updated the over-collection balance through April 2007 and established a refund amount, including interest, of \$109.4 million. The refund was made over a two-month period beginning with the first billing cycle in July 2007. Amounts refunded through the interim fuel refund are subject to final reconciliation in a future fuel reconciliation proceeding.

The Entergy Texas rate filing made with the PUCT in September 2007, which is discussed below, includes a request to reconcile \$858 million in fuel and purchased power costs on a Texas retail basis incurred over the period January 2006 through March 2007.

In May 2006, Entergy Texas filed with the PUCT a fuel and purchased power reconciliation case covering the period September 2003 through December 2005 for costs recoverable through the fixed fuel factor rate and the incremental purchased capacity recovery rider. Entergy Texas sought reconciliation of \$1.6 billion of fuel and purchased power costs on a Texas retail basis. A hearing was conducted before the ALJs in April 2007. In July 2007, the ALJs issued a proposal for decision recommending that Entergy Texas be authorized to reconcile all of its requested fixed fuel factor expenses and recommending a minor exception to the incremental purchased capacity recovery calculation. The ALJs also recommended granting an exception to the PUCT rules to allow for recovery of an additional \$11.4 million in purchased power capacity costs. In September 2007, the PUCT issued an order, which affirmed the ultimate result of the ALJs' proposal for decision. Upon motions for rehearing, the PUCT added additional language in its order on rehearing to further clarify its position that 30% of River Bend should not be regulated by the PUCT. Two parties filed a second motion for rehearing, but the PUCT declined to address them. The PUCT's decision has been appealed to the Travis County District Court.

Entergy Gulf States Louisiana and Entergy Louisiana

In Louisiana, Entergy Gulf States Louisiana and Entergy Louisiana recover electric fuel and purchased power costs for the upcoming month based upon the level of such costs from the prior month. Entergy Gulf States Louisiana's purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

In August 2000, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Louisiana pursuant to a November 1997 LPSC general order. The time period that is the subject of the audit is January 1, 2000 through December 31, 2001. In September 2003, the LPSC staff issued its audit report and recommended a disallowance with regard to an alleged failure to uprate

Waterford 3 in a timely manner. This issue was resolved with the March 2005 global settlement. Subsequent to the issuance of the audit report, the scope of this docket was expanded to include a review of annual reports on fuel and purchased power transactions with affiliates and a prudence review of transmission planning issues and to include the years 2002 through 2004. Hearings were held in November 2006. In December 2007 the ALJ issued a proposed recommendation and draft order that, with minor exceptions, found in Entergy Louisiana's favor on the issues. The LPSC has not issued a decision in this proceeding.

In January 2003, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Gulf States Louisiana and its affiliates pursuant to a November 1997 LPSC general order. The audit will include a review of the reasonableness of charges flowed by Entergy Gulf States Louisiana through its fuel adjustment clause in Louisiana for the period January 1, 1995 through December 31, 2002. Discovery is underway, but a detailed procedural schedule extending beyond the discovery stage has not yet been established, and the LPSC staff has not yet issued its audit report. In June 2005, the LPSC expanded the audit period to include the years through 2004.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider which is adjusted quarterly to reflect accumulated over- or under-recoveries from the second prior quarter.

Entergy New Orleans

Entergy New Orleans' electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges. In June 2006, the City Council authorized the recovery of all Grand Gulf costs through Entergy New Orleans' fuel adjustment clause (a significant portion of Grand Gulf costs was previously recovered through base rates), and continued that authorization in approving the October 2006 formula rate plan filing settlement.

Entergy New Orleans' gas rate schedules include an adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges. In October 2005, the City Council approved modification of the current gas cost collection mechanism effective November 2005 in order to address concerns regarding its fluctuations, particularly during the winter heating season. The modifications are intended to minimize fluctuations in gas rates during the winter months.

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STORM COST RECOVERY FILINGS WITH RETAIL REGULATORS
Entergy Texas

In July 2006, Entergy Texas filed an application with the PUCT with respect to its Hurricane Rita reconstruction costs incurred through March 2006. The filing asked the PUCT to determine the amount of reasonable and necessary hurricane reconstruction costs eligible for securitization and recovery, approve the recovery of carrying costs, and approve the manner in which Entergy Texas allocates those costs among its retail customer classes. In December 2006, the PUCT approved \$381 million of reasonable and necessary hurricane reconstruction costs incurred through March 31, 2006, plus carrying costs, as eligible for recovery. After netting expected insurance proceeds, the amount is \$353 million.

In April 2007, the PUCT issued its financing order authorizing the issuance of securitization bonds to recover the \$353 million of hurricane reconstruction costs and up to \$6 million of transaction costs, offset by \$32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC (Entergy Gulf States Reconstruction Funding), a company wholly-owned and consolidated by Entergy Texas, issued \$329.5 million of senior secured transition bonds (securitization bonds). With the proceeds, Entergy Gulf States Reconstruction Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. Entergy Texas will use the proceeds to refinance or retire debt and to reduce equity. In February 2008, Entergy Texas returned \$150 million of capital to Entergy Corporation. Entergy Texas began cost recovery through the transition charge in July 2007, and the transition charge is expected to remain in place over a 15-year period. See Note 5 to the financial statements for additional information regarding the securitization bonds.

Entergy Gulf States Louisiana and Entergy Louisiana

In February 2007, Entergy Louisiana and Entergy Gulf States Louisiana filed a supplemental and amending application by which they seek authority from the LPSC to securitize their Hurricane Katrina and Hurricane Rita storm cost recovery and storm reserve amounts, together with certain debt retirement costs and upfront and ongoing costs of the securitized debt issued. Securitization is authorized by a law signed by the Governor of Louisiana in May 2006. Hearings on the quantification of the amounts eligible for securitization began in late-April 2007. At the start of the hearing, a stipulation among Entergy Gulf States Louisiana, Entergy Louisiana, the LPSC staff, and most other parties in the proceeding was read into the record. The stipulation quantifies the balance of storm restoration costs for recovery as \$545 million for Entergy Louisiana and \$187 million for Entergy Gulf States Louisiana, and sets the storm reserve amounts at \$152 million for Entergy Louisiana and \$87 million for Entergy Gulf States Louisiana. The stipulation also calls for securitization of the storm restoration costs and storm reserves in those same amounts. In August 2007, the LPSC issued orders approving recovery of the stipulated storm cost recovery and storm reserve amounts plus certain debt retirement and upfront and ongoing costs through securitization financing. Entergy Louisiana and Entergy Gulf States Louisiana are currently exploring their securitization options.

In May 2006, Entergy Gulf States Louisiana completed the interim recovery of \$6 million of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, Entergy Gulf States Louisiana's interim storm cost recovery of \$0.85 million per month was instituted via the formula rate plan. Interim recovery and carrying charges will continue until the securitization process is complete.

In April 2006, Entergy Louisiana completed the interim recovery of \$14 million of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, Entergy Louisiana's interim storm cost recovery of \$2 million per month was instituted via the formula rate plan. Interim recovery and carrying charges will continue until the securitization process is complete.

Entergy Mississippi

In March 2006, the Governor of Mississippi signed a law that established a mechanism by which the MPSC could authorize and certify an electric utility financing order and the state could issue bonds to finance the costs of repairing damage caused by Hurricane Katrina to the systems of investor-owned electric utilities. Because of the passage of this law and the possibility of Entergy Mississippi obtaining CDBG funds for Hurricane Katrina storm restoration costs, in March 2006, the MPSC issued an order approving a Joint Stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provided for a review of Entergy Mississippi's total storm restoration costs in an Application for an Accounting Order proceeding. In June 2006, the MPSC issued an order certifying Entergy Mississippi's Hurricane Katrina restoration costs incurred through March 31, 2006 of \$89 million, net of estimated insurance proceeds. Two days later, Entergy Mississippi filed a request with the Mississippi Development Authority for \$89 million of CDBG funding for reimbursement of its Hurricane Katrina infrastructure restoration costs. Entergy Mississippi also filed a Petition for Financing Order with the MPSC for authorization of state bond financing of \$169 million for Hurricane Katrina restoration costs and future storm costs. The \$169 million amount included the \$89 million of Hurricane Katrina restoration costs plus \$80 million to build Entergy Mississippi's storm damage reserve for the future. Entergy Mississippi's filing stated that the amount actually financed through the state bonds would be net of any CDBG funds that Entergy Mississippi received.

In October 2006, the Mississippi Development Authority approved for payment and Entergy Mississippi received \$81 million in CDBG funding for Hurricane Katrina costs. The MPSC then issued a financing order authorizing the issuance of state bonds to finance \$8 million of Entergy Mississippi's certified Hurricane Katrina restoration costs and \$40 million for an increase in Entergy Mississippi's storm damage reserve. \$30 million of the storm damage reserve was set aside in a restricted account. A Mississippi state entity issued the bonds in May 2007, and Entergy Mississippi received proceeds of \$48 million. Entergy Mississippi will not report the bonds on its balance sheet because the bonds are the obligation of the state entity, and there is no recourse against Entergy Mississippi in the event of a bond default. To service the bonds, Entergy Mississippi is collecting a system restoration charge on behalf of the state, and remitting the collections to the state. By analogy to and in accordance with Entergy's accounting policy for collection of sales taxes, Entergy Mississippi will not report the collections as revenue because it is merely acting as the billing and collection agent for the state.

Entergy New Orleans

In March 2006, Entergy New Orleans provided a justification statement to state and local officials in connection with its pursuit of CDBG funds to mitigate Hurricane Katrina restoration costs that otherwise would be borne by customers. The statement included all the estimated costs of Hurricane Katrina damage, as well as a lost customer base component intended to help offset the need for storm-related rate increases. In October 2006, the Louisiana Recovery Authority Board endorsed a resolution proposing to allocate \$200 million in CDBG funds to Entergy New Orleans to defray gas and electric utility system

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

repair costs in an effort to provide rate relief for Entergy New Orleans customers. The proposal was developed as an action plan amendment and published for public comment. State lawmakers approved the action plan in December 2006, and the U. S. Department of Housing and Urban Development approved it in February 2007. Entergy New Orleans filed applications seeking City Council certification of its storm-related costs incurred through December 2006. Entergy New Orleans supplemented this request to include the estimated future cost of the gas system rebuild.

In March 2007, the City Council certified that Entergy New Orleans incurred \$205 million in storm-related costs through December 2006 that are eligible for CDBG funding under the state action plan, and certified Entergy New Orleans' estimated costs of \$465 million for its gas system rebuild. In April 2007, Entergy New Orleans executed an agreement with the Louisiana Office of Community Development (OCD) under which \$200 million of CDBG funds will be made available to Entergy New Orleans. Entergy New Orleans submitted the agreement to the bankruptcy court, which approved it on April 25, 2007. Entergy New Orleans has received \$180.8 million of the funds as of December 31, 2007, and under the agreement with the OCD, Entergy New Orleans expects to receive the remainder as it incurs and submits additional eligible costs.

RETAIL RATE PROCEEDINGS

Filings with the APSC

Retail Rates

In August 2006, Entergy Arkansas filed with the APSC a request for a change in base rates. Entergy Arkansas requested a general base rate increase (using an ROE of 11.25%), which it subsequently adjusted to a request for a \$106.5 million annual increase. Entergy Arkansas also requested recovery of FERC-allocated costs pursuant to the FERC decision on the System Agreement, and requested a capacity management rider to recover incremental capacity costs.

In June 2007, after hearings on the filing, the APSC ordered Entergy Arkansas to reduce its annual rates by \$5 million, and set a return on common equity of 9.9% with a hypothetical common equity level lower than Entergy Arkansas' actual capital structure. For the purpose of setting rates, the APSC disallowed a portion of costs associated with incentive compensation based on financial measures and all costs associated with Entergy's stock-based compensation plans. In addition, under the terms of the APSC's decision, recovery of storm restoration costs in the future will be limited to a fixed annual amount of \$14.4 million, regardless of the actual annual amount of future restoration costs. The APSC did state in a separate December 2007 order, however, that it will consider a petition for financial relief should Entergy Arkansas experience "extraordinary" storm restoration costs.

The APSC's June 2007 decision also threatens Entergy Arkansas' ability to recover \$52 million of costs previously accumulated in Entergy Arkansas' storm reserve and \$18 million of removal costs associated with the termination of a lease. Management believes, however, that Entergy Arkansas is entitled to recover these prudently incurred costs and will vigorously pursue its right to recover them. The APSC rejected Entergy Arkansas' request for a capacity management rider to recover incremental capacity costs.

The APSC denied Entergy Arkansas' request for rehearing of its June 2007 decision, and the base rate change was implemented August 29, 2007, effective for bills rendered after June 15, 2007. In September 2007, Entergy Arkansas appealed the decision to the Arkansas Court of Appeals. In its Notice of Appeal, Entergy Arkansas states that the APSC's decision represents arbitrary decision-making and is unlawful.

Entergy Arkansas filed its appellant's brief in January 2008 seeking a reversal of the APSC's decision on 16 issues. The appellees' briefs are due in March 2008.

Ouachita Acquisition

Entergy Arkansas filed with the APSC in September 2007 for its approval of the Ouachita plant acquisition, including full cost recovery. The APSC Staff and the Arkansas attorney general have supported Entergy Arkansas' acquisition of the plant, but oppose the sale of one-third of the capacity and energy to Entergy Gulf States Louisiana. The industrial group AEEC has opposed Entergy Arkansas' purchase of the plant. The Arkansas attorney general has opposed recovery of the non-fuel costs of the plant through a separate rider, while the APSC Staff recommended revisions to the rider. In December 2007, the APSC issued an order approving recovery through a rider of the capacity costs associated with the interim tolling agreement, which will be in effect until APSC action on the acquisition of the plant. The APSC has scheduled a hearing in April 2008 to address Entergy Arkansas' request for acquisition of the plant and concurrent cost recovery.

Filings with the PUCT and Texas Cities

Retail Rates

Entergy Texas made a rate filing in September 2007 with the PUCT requesting an annual rate increase totaling \$107.5 million, including a base rate increase of \$64.3 million and special riders totaling \$43.2 million. The base rate increase includes \$12.2 million for the storm damage reserve. Entergy Texas is requesting an 11% return on common equity. In December 2007 the PUCT issued an order setting September 26, 2008 as the effective date for the rate change from the rate filing. The hearing on the rate case is scheduled for May 2008.

Entergy Texas' base rates are currently set at rates approved by the PUCT in June 1999. As discussed in "Electric Industry Restructuring" below, a Texas law was enacted in June 2005 which includes provisions in the Texas legislation regarding Entergy Texas' ability to file a general rate case and to file for recovery of transition to competition costs. As authorized by the legislation, in August 2005, Entergy Texas filed with the PUCT an application for recovery of its transition to competition costs. Entergy Texas requested recovery of \$189 million in transition to competition costs through implementation of a 15-year rider to be effective no later than March 1, 2006. The \$189 million represents transition to competition costs Entergy Texas incurred from June 1, 1999 through June 17, 2005 in preparing for competition in its Texas service area, including attendant AFUDC, and all carrying costs projected to be incurred on the transition to competition costs through February 28, 2006. The \$189 million is before any gross-up for taxes or carrying costs over the 15-year recovery period. Entergy Texas reached a unanimous settlement agreement, which the PUCT approved in June 2006, on all issues with the active parties in the transition to competition cost recovery case. The agreement allows Entergy Texas to recover \$14.5 million per year in transition to competition costs over a 15-year period. Entergy Texas implemented rates based on this revenue level on March 1, 2006. The formal settlement agreement was approved by the PUCT in June 2006.

The Texas law enacted also allowed Entergy Texas to file with the PUCT for recovery of certain incremental purchased capacity costs. Proceedings involving this rider are discussed above under "Deferred Fuel Costs."

Filings with the LPSC***Global Settlement (Entergy Gulf States Louisiana and Entergy Louisiana)***

In March 2005, the LPSC approved a settlement proposal to resolve various dockets covering a range of issues for Entergy Gulf States Louisiana and Entergy Louisiana. The settlement resulted in credits totaling \$76 million for retail electricity customers of Entergy Gulf States Louisiana and credits totaling \$14 million for retail electricity customers of Entergy Louisiana. The credits were issued to customers in connection with April 2005 billings. The net income effect of \$48.6 million for Entergy Gulf States Louisiana and \$8.6 million for Entergy Louisiana was recognized primarily in 2004 when Entergy Gulf States Louisiana and Entergy Louisiana recorded provisions for the expected outcome of the proceeding.

The settlement includes the establishment of a three-year formula rate plan for Entergy Gulf States Louisiana that, among other provisions, establishes an ROE mid-point of 10.65% for the initial three-year term of the plan and permits Entergy Gulf States Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed range of 9.9% to 11.4% will be allocated 60% to customers and 40% to Entergy Gulf States Louisiana. Entergy Gulf States Louisiana made its initial formula rate plan filing in June 2005. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Gulf States Louisiana.

Retail Rates – Electric (Entergy Louisiana)

In May 2007, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2006 test year, indicating a 7.6% return on common equity. The \$6.9 million rate decrease anticipated in this original filing did not occur because securitization of storm costs associated with Hurricane Katrina and Hurricane Rita and the establishment of a storm reserve have not yet occurred. Entergy Louisiana is currently exploring its securitization options. The May 2007 filing also included Entergy Louisiana's request to recover \$39.8 million in unrecovered fixed costs associated with the loss of customers that resulted from Hurricane Katrina and Hurricane Rita, which if approved by the LPSC would increase the return on common equity under the original filing to 9.4%, which is within the band of no change adjacent to the lower end of the sharing bandwidth. In September 2007, Entergy Louisiana modified its formula rate plan filing to reflect its implementation of certain adjustments proposed by the LPSC staff in its review of Entergy Louisiana's original filing with which Entergy Louisiana agreed, and to reflect its implementation of an \$18.4 million annual formula rate plan rate increase comprised of (1) a \$23.8 million increase representing 60% of Entergy Louisiana's revenue deficiency, and (2) a \$5.4 million decrease for reduced incremental and deferred capacity costs. The LPSC authorized Entergy Louisiana to defer for accounting purposes the difference between its \$39.8 million claim for unrecovered fixed costs and 60% of the revenue deficiency to preserve Entergy Louisiana's right to pursue that claim in full during the formula rate plan proceeding. In October 2007, Entergy Louisiana implemented a \$7.1 million formula rate plan decrease that is due primarily to the reclassification of certain franchise fees from base rates to collection via a line item on customer bills pursuant to an LPSC order. The LPSC staff and intervenors have recommended disallowance of certain costs included in Entergy Louisiana's filing, including stock option costs and transmission restructuring costs. Entergy Louisiana disagrees with these proposed adjustments. Hearings in the 2006 test year formula rate plan proceedings are scheduled for August 2008.

In May 2006, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Louisiana modified the filing in August 2006 to reflect a 9.45% return on equity which is within the allowed bandwidth. The modified filing includes an increase of \$24.2 million for interim recovery of storm costs from Hurricanes Katrina and Rita and a \$119.2 million rate increase to recover LPSC-approved incremental deferred and ongoing capacity costs. The filing requested recovery of approximately \$50 million for the amortization of capacity deferrals over a three-year period, including carrying charges, and approximately \$70 million for ongoing capacity costs. The increase was implemented, subject to refund, with the first billing cycle of September 2006. Entergy Louisiana subsequently updated its formula rate plan rider to reflect adjustments proposed by the LPSC Staff with which it agrees. The adjusted return on equity of 9.56% remains within the allowed bandwidth. Ongoing and deferred incremental capacity costs were reduced to \$118.7 million. The updated formula rate plan rider was implemented, subject to refund, with the first billing cycle of October 2006. Resolution of this proceeding is still pending.

Entergy Louisiana made a rate filing with the LPSC requesting a base rate increase in January 2004. In May 2005 the LPSC approved a settlement that resulted in a net \$0.8 million annual rate reduction. Entergy Louisiana reduced rates effective with the first billing cycle in July 2005. The May 2005 rate settlement includes the adoption of a three-year formula rate plan, the terms of which include an ROE mid-point of 10.25% for the initial three-year term of the plan and permit Entergy Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed regulatory range of 9.45% to 11.05% will be allocated 60% to customers and 40% to Entergy Louisiana. The initial formula rate plan filing was made in May 2006 as discussed above. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Louisiana.

Little Gypsy Repowering

In April 2007, Entergy Louisiana announced that it plans to pursue the solid fuel repowering of a 538 MW unit at its Little Gypsy plant. Petroleum coke and coal will be the unit's primary fuel sources. In July 2007, Entergy Louisiana filed with the LPSC for approval of the repowering project, and stated that it expects to spend \$1.55 billion on the project. In addition to seeking a finding that the project is in the public interest, the filing with the LPSC asks that Entergy Louisiana be allowed to recover a portion of the project's financing costs during the construction period. Hearings were held in October 2007, and the LPSC approved the certification of the project in November 2007, subject to several conditions. One of the conditions is the development and approval of a construction monitoring plan. The approval allowed Entergy Louisiana to order equipment, such as boiler and piping components, so that components can be manufactured to keep the project on schedule. In December 2007, Entergy Louisiana signed a target cost contract with the engineering, procurement, and construction services contractor, and issued the contractor a notice to proceed with construction. A decision regarding whether to allow Entergy Louisiana to recover a portion of the project's financing costs during the construction period was deferred to Phase II of the proceedings. In December 2007, Entergy Louisiana filed testimony in the Phase II proceeding seeking financing cost recovery and proposing a procedure for synchronizing future base rate recovery by a formula rate plan or base rate filing of the project's non-fuel costs. Phase II hearings are scheduled to begin in May 2008. Entergy Louisiana expects the project to be completed in 2012.

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In May 2007, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2006 test year. The filing reflected a 10.0% return on common equity, which is within the allowed earnings bandwidth, and an anticipated formula rate plan decrease of \$23 million annually attributable to adjustments outside of the formula rate plan sharing mechanism related to capacity costs and the anticipated securitization of storm costs related to Hurricane Katrina and Hurricane Rita and the securitization of a storm reserve. In September 2007, Entergy Gulf States Louisiana modified the formula rate plan filing to reflect a 10.07% return on common equity, which is still within the allowed bandwidth. The modified filing also reflected implementation of a \$4.1 million rate increase, subject to refund, attributable to recovery of additional LPSC-approved incremental deferred and ongoing capacity costs. The rate decrease anticipated in the original filing did not occur because of the additional capacity costs approved by the LPSC, and because securitization of storm costs associated with Hurricane Katrina and Hurricane Rita and the establishment of a storm reserve have not yet occurred. Entergy Gulf States Louisiana is currently exploring its securitization options. In October 2007, Entergy Gulf States Louisiana implemented a \$16.4 million formula rate plan decrease that is due to the reclassification of certain franchise fees from base rates to collection via a line item on customer bills pursuant to an LPSC order. The LPSC staff issued its final report in December 2007, indicating a \$1.6 million decrease in formula rate plan revenues for which interim rates were already in effect. In addition, the LPSC staff recommended that the LPSC give a one-year extension of Entergy Gulf States Louisiana's formula rate plan to synchronize with the final year of Entergy Louisiana's formula rate plan, or alternatively, to extend the formula rate plan for a longer period. Entergy Gulf States Louisiana indicated it is amenable to a one-year extension. An uncontested stipulated settlement was filed in February 2008 that will leave the current base rates in place.

In May 2006, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Gulf States Louisiana modified the filing in August 2006 to reflect an 11.1% return on common equity which is within the allowed bandwidth. The modified filing includes a formula rate plan increase of \$17.2 million annually that provides for 1) interim recovery of \$10.5 million of storm costs from Hurricane Katrina and Hurricane Rita and 2) recovery of \$6.7 million of LPSC-approved incremental deferred and ongoing capacity costs. The increase was implemented with the first billing cycle of September 2006. In May 2007 the LPSC approved a settlement between Entergy Gulf States Louisiana and the LPSC staff, affirming the rates that were implemented in September 2006.

In June 2005, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the test year ending December 31, 2004. In March 2006, the LPSC approved an uncontested stipulated settlement that included a revenue requirement increase of \$36.8 million, including increases related to the formula rate plan 2004 test year revenue requirement and the capacity costs associated with the purchase of power from the Perryville power plant.

Retail Rates - Gas

In January 2008, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ending September 30, 2007. The filing showed a revenue deficiency of \$3.7 million based on a return on common equity mid-point of 10.5%.

In January 2007, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ending September 30, 2006. The filing showed a revenue deficiency of \$3.5 million based on a return

on common equity mid-point of 10.5%. In March 2007, Entergy Gulf States Louisiana filed a set of rate and rider schedules that reflected all proposed LPSC staff adjustments and implemented a \$2.4 million base rate increase effective with the first billing cycle of April 2007 pursuant to the rate stabilization plan.

In January 2006, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan. The filing showed a revenue deficiency of \$4.1 million based on an ROE mid-point of 10.5%. In May 2006, Entergy Gulf States Louisiana implemented a \$3.5 million rate increase pursuant to an uncontested agreement with the LPSC Staff.

In June 2005, the LPSC unanimously approved Entergy Gulf States Louisiana's proposed settlement that included a \$5.8 million gas base rate increase effective the first billing cycle of July 2005 and a rate stabilization plan with an ROE mid-point of 10.5%.

Filings with the MPSC*Formula Rate Plan Filings*

In March 2007, Entergy Mississippi made its annual scheduled formula rate plan filing for the 2006 test year with the MPSC. The filing showed that an increase of \$12.9 million in annual electric revenues is warranted. In June 2007 the MPSC approved a joint stipulation between Entergy Mississippi and the Mississippi Public Utilities staff that provides for a \$10.5 million rate increase, which was effective beginning with July 2007 billings.

In March 2006, Entergy Mississippi made its annual scheduled formula rate plan filing with the MPSC. The filing was amended by an April 2006 filing. The amended filing showed that an increase of \$3.1 million in electric revenues is warranted. The MPSC approved a settlement providing for a \$1.8 million rate increase, which was implemented in August 2006.

Power Management Rider

In November 2005, the MPSC approved the purchase of the 480MW Attala power plant. In December 2005, the MPSC issued an order approving the investment cost recovery through its power management rider and limited the recovery to a period that begins with the closing date of the purchase and ends the earlier of the date costs are incorporated into base rates or December 31, 2006. As a consequence of the events surrounding Entergy Mississippi's ongoing efforts to recover storm restoration costs associated with Hurricane Katrina, in October 2006, the MPSC approved a revision to Entergy Mississippi's power management rider. The revision has the effect of allowing Entergy Mississippi to recover the annual ownership costs of the Attala plant until such time as there has been a resolution of Entergy Mississippi's recovery of its storm restoration costs and a general rate case can be filed.

Filings with the City Council*Formula Rate Plans and Storm-Related Riders*

In June 2006, Entergy New Orleans made its annual formula rate plan filings with the City Council. The filings presented various alternatives to reflect the effect of Entergy New Orleans' lost customers and decreased revenue following Hurricane Katrina. The alternative that Entergy New Orleans recommended adjusts for lost customers and assumes that the City Council's June 2006 decision to allow recovery of all Grand Gulf costs through the fuel adjustment clause stays in place during the rate-effective period (a significant portion of Grand Gulf costs was previously recovered through base rates).

At the same time as it made its formula rate plan filings, Entergy New Orleans also filed with the City Council a request to implement two storm-related riders. With the first rider, Entergy New Orleans sought

to recover the electric and gas restoration costs that it had actually spent through March 31, 2006. Entergy New Orleans also proposed semiannual filings to update the rider for additional restoration spending and also to consider the receipt of CDBG funds or insurance proceeds that it may receive. With the second rider, Entergy New Orleans sought to establish a storm reserve to provide for the risk of another storm.

In October 2006, the City Council approved a settlement agreement that resolves Entergy New Orleans' rate and storm-related rider filings by providing for phased-in rate increases, while taking into account with respect to storm restoration costs the anticipated receipt of CDBG funding as recommended by the Louisiana Recovery Authority. The settlement provides for a 0% increase in electric base rates through December 2007, with a \$3.9 million increase implemented in January 2008. Recovery of all Grand Gulf costs through the fuel adjustment clause will continue. Gas base rates increased by \$4.75 million in November 2006 and increased by additional \$1.5 million in March 2007 and an additional \$4.75 million in November 2007. The settlement calls for Entergy New Orleans to file a base rate case by July 31, 2008. The settlement agreement discontinues the formula rate plan and the generation performance-based plan but permits Entergy New Orleans to file an application to seek authority to implement formula rate plan mechanisms no sooner than six months following the effective date of the implementation of the base rates resulting from the July 31, 2008 base rate case. Any storm costs in excess of CDBG funding and insurance proceeds will be addressed in that base rate case. The settlement also authorizes a \$75 million storm reserve for damage from future storms, which will be created over a ten-year period through a storm reserve rider beginning in March 2007. These storm reserve funds will be held in a restricted escrow account.

In January 2008, Entergy New Orleans voluntarily implemented a 6.15% base rate credit for electric customers, which Entergy New Orleans estimates will return \$10.6 million to electric customers in 2008. Entergy New Orleans was able to implement this credit because the recovery of New Orleans after Hurricane Katrina has been occurring faster than expected.

Fuel Adjustment Clause Litigation

In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the City Council. In particular, plaintiffs allege that Entergy New Orleans improperly included certain costs in the calculation of fuel charges and that Entergy New Orleans imprudently purchased high-cost fuel or energy from other Entergy affiliates. Plaintiffs allege that Entergy New Orleans and the other defendant Entergy companies conspired to make these purchases to the detriment of Entergy New Orleans' ratepayers and to the benefit of Entergy's shareholders, in violation of Louisiana's antitrust laws. Plaintiffs also seek to recover interest and attorneys' fees. Entergy filed exceptions to the plaintiffs' allegations, asserting, among other things, that jurisdiction over these issues rests with the City Council and the FERC. In March 2004, the plaintiffs supplemented and amended their petition. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. The suit in state court was stayed by stipulation of the parties and order of the court pending review of the decision by the City Council in the proceeding discussed in the next paragraph. Subsequent to Entergy New Orleans' filing of a bankruptcy petition in September

2005 in the Eastern District of Louisiana, Entergy New Orleans filed a notice removing the class action lawsuit from the Civil District Court to the U.S. District Court for the Eastern District of Louisiana.

Plaintiffs also filed a corresponding complaint with the City Council in order to initiate a review by the City Council of the plaintiffs' allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Testimony was filed on behalf of the plaintiffs in this proceeding asserting, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices and included costs in Entergy New Orleans' fuel adjustment that could have resulted in Entergy New Orleans customers being overcharged by more than \$100 million over a period of years. Hearings were held in February and March 2002. In February 2004, the City Council approved a resolution that resulted in a refund to customers of \$11.3 million, including interest, during the months of June through September 2004. The resolution concludes, among other things, that the record does not support an allegation that Entergy New Orleans' actions or inactions, either alone or in concert with Entergy Corporation or any of its affiliates, constituted a misrepresentation or a suppression of the truth made in order to obtain an unjust advantage of Entergy New Orleans, or to cause loss, inconvenience or harm to its ratepayers. Management believes that it has adequately provided for the liability associated with this proceeding. The plaintiffs appealed the City Council resolution to the state courts. On May 26, 2005, the Civil District Court for the Parish of Orleans affirmed the City Council resolution, finding no support for the plaintiffs' claim that the refund amount should be higher. In June 2005, the plaintiffs appealed the Civil District Court decision to the Louisiana Fourth Circuit Court of Appeal. The court of appeal held an oral argument in September 2006. On February 25, 2008, the Fourth Circuit Court of Appeal issued a decision affirming in part, and reversing in part, the Civil District Court's decision. Although the Fourth Circuit Court of Appeal did not reverse any of the substantive findings and conclusions of the City Council or the Civil District Court, the Fourth Circuit found that the amount of damages awarded was arbitrary and capricious and increased the amount of damages to \$34.3 million. Entergy New Orleans believes that the increase in damages ordered by the Fourth Circuit is not justified. Entergy New Orleans is continuing to review and evaluate this decision and is considering its options for requesting rehearing, a writ application to or other review by the Louisiana Supreme Court, recourse to the federal courts, and other potential avenues for relief.

In the Entergy New Orleans bankruptcy proceeding, the named plaintiffs in the Entergy New Orleans fuel clause lawsuit, together with the named plaintiffs in the Entergy New Orleans rate of return lawsuit, filed a Complaint for Declaratory Judgment asking the court to declare that Entergy New Orleans, Entergy Corporation, and Entergy Services are a single business enterprise, and, as such, are liable in solidio with Entergy New Orleans for any claims asserted in the Entergy New Orleans fuel adjustment clause lawsuit and the Entergy New Orleans rate of return lawsuit, and, alternatively, that the automatic stay be lifted to permit the movants to pursue the same relief in state court. The bankruptcy court dismissed the action on April 26, 2006. The matter was appealed to the U.S. District Court for the Eastern District of Louisiana, and the district court affirmed the dismissal in October 2006, but on different grounds, concluding that the lawsuit was premature. In Entergy New Orleans' plan of reorganization that was confirmed by the bankruptcy court in May 2007, the plaintiffs' claims are treated as unimpaired "Litigation Claims," which will "ride through" the bankruptcy proceeding, with any legal, equitable and contractual rights to which the plaintiffs' Litigation Claim entitles the plaintiffs unaltered by the plan of reorganization.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Upon confirmation in May 2007 of Entergy New Orleans' plan of reorganization, the automatic bankruptcy stay of the state court class action lawsuit was lifted. The stay ordered by the state court that was agreed upon by the parties (pending completion of the review of the decision by the City Council), however, remains in place. In September 2007 the plaintiffs moved to lift or modify that stay so that the lawsuit could proceed in full or, alternatively, could proceed against the defendants other than Entergy New Orleans. The defendants opposed the motion, arguing that exhaustion of review of the City Council decision is required before the class action lawsuit could or should proceed. At the hearing on the plaintiffs' motion to lift or modify the stay, the court inquired as to whether it retained jurisdiction over the matter after confirmation of Entergy New Orleans' bankruptcy plan or whether it should equitably remand the case to Civil District Court. The court ordered the parties to brief this issue, which would be decided together with the plaintiffs' motion to lift or modify the stay. On February 13, 2008, the federal court held that it would exercise its discretion to equitably remand the matter to the Orleans Parish Civil District Court. It did not rule on the motion to lift or modify the stay and deferred such ruling to the state court.

ELECTRIC INDUSTRY RESTRUCTURING IN TEXAS

In June 2005, a Texas law was enacted which provides that:

- Entergy Gulf States, Inc. was authorized by law to proceed with a jurisdictional separation into two vertically integrated utilities, one subject to the sole retail jurisdiction of the LPSC and one subject to the sole retail jurisdiction of the PUCT;
- the portions of all prior PUCT orders requiring Entergy Texas to comply with any provisions of Texas law governing transition to retail competition are void;
- Entergy Texas had to file a plan by January 1, 2006, identifying the power region(s) to be considered for certification and the steps and schedule to achieve certification (additional discussion below);
- Entergy Texas had to file a transition to competition plan no later than January 1, 2007 (additional discussion below), that addressed how Entergy Texas intended to mitigate market power and achieve full customer choice, including potential construction of additional transmission facilities, generation auctions, generation capacity divestiture, reinstatement of a customer choice pilot project, establishment of a price to beat, and other measures;
- Entergy Texas' rates are subject to cost-of-service regulation until retail customer choice is implemented;
- Entergy Texas could not file a general base rate case before June 30, 2007, with rates to be effective no earlier than June 30, 2008, but could seek before then the recovery of certain incremental purchased power capacity costs, adjusted for load growth, not in excess of five percent of its annual base rate revenues (as discussed above in "Deferred Fuel Costs," in December 2005 Entergy Texas implemented a PUCT-approved annual incremental purchased capacity recovery rider); and
- Entergy Texas may recover over a period not to exceed 15 years reasonable and necessary transition to competition costs incurred before the effective date of the legislation and not previously recovered, with appropriate carrying charges (as discussed above in "Filings with the PUCT and Texas Cities," in March 2006, Entergy Texas implemented PUCT-approved rates for recovery of its transition to competition costs).

Entergy Texas made the January 2006 filing regarding the identification of power region(s) required by the 2005 legislation, and based on the statutory requirements for the certification of a qualified power region

(QPR), previous PUCT rulings, and Entergy Texas' geographical location, Entergy Texas identified three potential power regions:

- 1) Electric Reliability Council of Texas (ERCOT) as the power region and Independent Organization (IO);
- 2) Southwest Power Pool (SPP) as the power region and IO; and
- 3) the Entergy market as the power region and the Independent Coordinator of Transmission (ICT) as the IO.

Based on previous rulings of the PUCT, and absent reconsideration of those rulings, Entergy Texas believes that the third alternative, an ICT operating in Entergy's market area, is not likely to be a viable QPR alternative at this time. Accordingly, while noting this alternative, Entergy Texas' January 2006 filing focused on the first two alternatives, which were expected to meet the statutory requirements for certification so long as certain key implementation issues could be resolved. Entergy Texas' filing enumerated and discussed the corresponding steps and included a high-level schedule associated with certifying either of these two power regions.

Entergy Texas' filing did not make a recommendation between ERCOT and the SPP as a power region. Rather, the filing discussed the major issues that must be resolved for either of those alternatives to be implemented. In the case of ERCOT, the major issue is the cost and time related to the construction of facilities to interconnect Entergy Texas' operations with ERCOT, while addressing the interest of Entergy Texas' retail customers and certain wholesale customers in access to generation outside of Texas. With respect to the SPP, the major issue is the development of protocols that would ultimately be necessary to implement retail open access. Entergy Texas recommended that the PUCT open a project for the purpose of involving stakeholders in the selection of the single power region that Entergy Texas should request for certification. In August 2006, the PUCT staff recommended that Entergy Texas be required to provide additional information on both the ERCOT option and the SPP option. The PUCT accepted the PUCT staff's recommendation and stated the need for a "robust record" to make a decision on the applicable power region.

As required by the June 2005 legislation, Entergy Texas filed its proposed transition to competition plan in December 2006. The plan provides that to achieve full customer choice, Entergy Texas should join ERCOT because ERCOT already has all of the prerequisites for retail choice. Pursuant to PUCT order, in June 2007 Entergy Texas filed a restatement of the plan, in which Entergy Texas requested that the PUCT approve a "Financial Stability Provision" that is designed to ensure that Entergy Texas' proposed integration with ERCOT will not, during the necessary construction period, cause deterioration of its credit quality and financial strength. The June 2007 filing also proposed a rule making process to implement the Financial Stability Provision and to consider the construction and ownership of necessary ERCOT integration facilities by third parties. The filing also eliminated from the plan certain provisions whereby Entergy Texas had the ability in its sole discretion to cease pursuit of the plan. Under Entergy Texas' plan, retail open access could commence as early as 2013, although that is unlikely given the PUCT's decision described below. Entergy Texas' plan included an estimate that direct construction costs for facilities to interconnect Entergy Texas' operations with ERCOT could be approximately \$1 billion. PUCT hearings on Entergy Texas' plan were completed in July 2007. In October 2007, the PUCT abated the proceeding to allow the Southwest Power Pool (SPP) to develop additional information about the costs and benefits of Entergy Texas joining the SPP similar to information presented regarding Entergy Texas joining ERCOT. The SPP filed a work plan that estimates that it will take nine months to develop this type of information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Entergy Texas filed a motion for reconsideration, in which it asked the PUCT to also allow for an update to the ERCOT cost study. In a November 2007 order clarifying its order that abated the docket, the PUCT approved the SPP's work plan, ordered Entergy Texas to provide an updated analysis of the costs and benefits of remaining in the SERC Reliability Corporation, but deferred Entergy Texas' request to allow for an update to the ERCOT cost study.

In December 2006, the PUCT asked for parties to brief the effects of the 2005 legislation on the competition dockets of Entergy Texas, most notably, the settlement that the parties entered with respect to the unbundling of Entergy Texas for retail open access. Finding that the 2005 legislation now provides the mechanism by which Entergy Texas will transition to competition, the PUCT, on February 1, 2007, dismissed Entergy Texas' unbundled cost of service proceeding. After analyzing the PUCT's decision, Entergy Texas recorded a provision for its estimated exposure related to certain past fuel cost recoveries that may be credited to customers.

CO-OWNER-INITIATED PROCEEDING AT THE FERC

In October 2004, Arkansas Electric Cooperative (AEC) filed a complaint at the FERC against Entergy Arkansas relating to a contract dispute over the pricing of substitute energy at the co-owned Independence and White Bluff coal plants. The main issue in the case related to the consequences under the governing contracts when the dispatch of the coal units is constrained due to system operating conditions. A hearing was held on the AEC complaint and an ALJ Initial Decision was issued in January 2006 in which the ALJ found AEC's claims to be without merit. On October 25, 2006, the FERC issued its order in the proceeding. In the order, the FERC reversed the ALJ's findings. Specifically, the FERC found that the governing contracts do not recognize the effects of dispatch constraints on the co-owned units. The FERC explained that for over twenty-three years the course of conduct of the parties was such that AEC received its full entitlement to the two coal units, regardless of any reduced output caused by system operating constraints. Based on the order, Entergy Arkansas is required to refund to AEC all excess amounts billed to AEC as a result of the system operating constraints. The FERC denied Entergy Arkansas' request for rehearing and Entergy Arkansas refunded \$22.1 million (including interest) to AEC in September 2007. Entergy Arkansas had previously recorded a provision for the estimated effect of this refund. AEC has filed a protest at the FERC claiming that Entergy Arkansas owes an additional \$2.5 million plus interest. Entergy Arkansas has appealed the FERC's decision to the D.C. Circuit.

NOTE 3. INCOME TAXES

Income tax expenses from continuing operations for 2007, 2006, and 2005 for Entergy Corporation and subsidiaries consist of the following (in thousands):

| | 2007 | 2006 | 2005 |
|---|---------------|-------------|-------------|
| Current: | | | |
| Federal | \$(1,379,288) | \$(266,464) | \$(306,524) |
| Foreign | 316 | 64 | 13,290 |
| State | 27,174 | (74,319) | (27,212) |
| Total | (1,351,798) | (340,719) | (320,446) |
| Deferred - net | 1,884,383 | 801,745 | 898,384 |
| Investment tax credit adjustments - net | (18,168) | (17,982) | (18,654) |
| Income tax expense from continuing operations | \$ 514,417 | \$ 443,044 | \$ 559,284 |

Total income taxes from continuing operations for Entergy Corporation and subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2007, 2006, and 2005 are (in thousands):

| | 2007 | 2006 | 2005 |
|---|-------------|-------------|-------------|
| Consolidated net income | \$1,134,849 | \$1,132,602 | \$ 898,331 |
| Discontinued operations (net of income tax of \$67 and \$(24,051) in 2006 and 2005, respectively) | - | 496 | 44,794 |
| Preferred dividend requirements | 25,105 | 27,783 | 25,427 |
| Income before preferred stock dividends of subsidiaries | 1,159,954 | 1,160,881 | 968,552 |
| Income taxes before discontinued operations | 514,417 | 443,044 | 559,284 |
| Pretax income | \$1,674,371 | \$1,603,925 | \$1,527,836 |
| Computed at statutory rate (35%) | \$ 586,030 | \$ 561,374 | \$ 534,743 |
| Increases (reductions) in tax resulting from: | | | |
| State income taxes net of federal income tax effect | 31,066 | 44,230 | 44,282 |
| Regulatory differences - utility plant items | 50,070 | 50,211 | 28,983 |
| Amortization of investment tax credits | (17,612) | (17,460) | (18,691) |
| Decommissioning trust fund basis | (35,684) | - | - |
| Capital gain (losses) | 7,126 | (79,427) | (792) |
| Flow-through/permanent differences | (49,609) | (52,866) | (23,618) |
| Tax reserves | (25,821) | (53,610) | - |
| Valuation allowance | (8,676) | 22,300 | - |
| Other - net | (22,473) | (31,708) | (5,623) |
| Total income taxes as reported from continuing operations | \$ 514,417 | \$ 443,044 | \$ 559,284 |
| Effective income tax rate | 30.7% | 27.6% | 36.6% |

The capital loss for 2006 includes a loss for tax purposes recorded in the fourth quarter 2006 resulting from the liquidation of Entergy Power International Holdings, Entergy's holding company for Entergy-Koch, L.P. The \$79.4 million tax benefit is net of other capital gains.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Significant components of net deferred and noncurrent accrued tax liabilities for Entergy Corporation and subsidiaries as of December 31, 2007 and 2006 are as follows (in thousands):

| | 2007 | 2006 |
|--|-----------------------|-----------------------|
| Deferred and noncurrent accrued tax liabilities: | | |
| Net regulatory assets/liabilities | \$ (838,507) | \$ (1,334,341) |
| Plant-related basis differences | (5,920,881) | (5,992,434) |
| Power purchase agreements | (935,876) | (1,755,345) |
| Nuclear decommissioning trusts | (885,411) | (915,380) |
| Other | (336,809) | (615,371) |
| Total | (8,917,484) | (10,612,871) |
| Deferred tax assets: | | |
| Accumulated deferred investment tax credit | 130,609 | 118,990 |
| Capital losses | 161,793 | 256,089 |
| Net operating loss carryforwards | 405,640 | 2,002,541 |
| Sale and leaseback | 248,660 | 242,630 |
| Unbilled/deferred revenues | 24,567 | 39,566 |
| Pension-related items | 378,103 | 790,383 |
| Reserve for regulatory adjustments | 76,252 | 114,451 |
| Customer deposits | 76,317 | 77,166 |
| Nuclear decommissioning liabilities | 756,990 | 790,052 |
| Other | 391,603 | 405,490 |
| Valuation allowance | (74,612) | (33,507) |
| Total | 2,575,922 | 4,803,851 |
| Net deferred and noncurrent accrued tax liability | \$ (6,341,562) | \$ (5,809,020) |

At December 31, 2007, Entergy had \$453.6 million in net realized federal capital loss carryforwards that will expire as follows: \$122.7 million in 2008, \$42.8 million in 2009, \$263.1 million in 2011, and \$25.0 million in 2012.

At December 31, 2007, Entergy had estimated federal net operating loss carryforwards of \$798.8 million primarily resulting from changes in tax accounting methods relating to (a) the Registrant Subsidiaries' calculation of cost of goods sold, (b) Non-Utility Nuclear's 2005 mark-to-market tax accounting election, and (c) losses due to Hurricane Rita. Both tax accounting method changes produce temporary book tax differences, which will reverse in the future. If the federal net operating loss carryforwards are not utilized, they will expire in the years 2023 through 2027.

At December 31, 2007, Entergy had estimated state net operating loss carryforwards of \$2.4 billion, primarily resulting from Entergy Louisiana Holdings' 2001 mark-to-market tax election, the Utility companies' change in method of accounting for tax purposes related to cost of goods sold, and Non-Utility Nuclear's 2005 mark-to-market tax accounting election. If the state net operating loss carryforwards are not utilized, they will expire in the years 2008 through 2022.

On March 13, 2007, the Vermont Department of Taxes issued Technical Bulletin 35 explaining the Department of Taxes' interpretation of the treatment of net operating losses under Vermont's 2005, Act 207 (Act 207) which required unitary combined reporting effective January 1, 2006. On January 7, 2008, the Vermont Department of Taxes issued Technical Bulletin 40 explaining the Department of Taxes' interpretation of the conversion of federal net operating losses to Vermont net operating losses under Act 207. The guidance in Technical Bulletin 35 was utilized to determine that Entergy would have approximately \$272 million of Vermont net operating loss available to offset future Vermont taxable income. Entergy believes that its estimate determined under Technical Bulletin 35 is materially accurate. With the issuance of Technical Bulletin 40, Entergy is evaluating the impact of the Department of Taxes' most recent guidance on the estimate of the available Vermont net operating loss.

The conversion from separate entity reporting to unitary combined reporting was a significant change in Vermont tax law.

For 2007 and 2006, valuation allowances are provided against federal and state capital loss carryforwards, and certain state net operating loss carryforwards.

INCOME TAX AUDITS AND LITIGATION

Entergy or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. With few exceptions, as discussed below, Entergy is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2004.

Entergy entered into an agreement with the IRS Appeals Division in the second quarter 2007 to partially settle tax years 1999 - 2001. Entergy will litigate the following issues that it is not settling:

- The ability to credit the U.K. Windfall Tax against U.S. tax as a foreign tax credit - Entergy expects that the total tax to be included in IRS Notices of Deficiency already issued and to be issued in the future on this issue will be \$152 million. The U.K. Windfall Tax relates to Entergy's former investment in London Electricity. The tax and interest associated with this issue total \$216 million for all open tax years.
- The validity of Entergy's change in method of tax accounting for street lighting assets and the related increase in depreciation deductions - Entergy expects that the total tax to be included in IRS Notices of Deficiency already issued and to be issued in the future on this issue will be \$26 million. The federal and state tax and interest associated with this issue total \$42 million for all open tax years.
- The allowance of depreciation deductions that resulted from Entergy's purchase price allocations on its acquisitions of its nuclear power plants - Entergy expects that the total tax to be included in IRS Notices of Deficiency already issued and to be issued in the future on this issue will be \$34 million. The federal and state tax and interest associated with this issue total \$40 million for all open tax years.

On February 21, 2008, the IRS issued the Statutory Notice of Deficiency relative to the above issues. As stated above, Entergy will pursue these issues in court.

The U.K. Windfall Tax and street lighting issues are already docketed in U.S. Tax Court for tax years 1997 and 1998 with a trial date set in the second quarter 2008.

The IRS completed its examination of the 2002 and 2003 tax returns and issued an Examination Report on June 29, 2007. During the examination, Entergy agreed to adjustments related to its method of accounting for income tax purposes related to 1) its wholesale electric power contracts and 2) the simplified method of allocating overhead or "mixed service costs" provided for under IRS regulations, which affects the amount of cost of goods sold related to the production of electricity.

Entergy's agreement with the IRS on electric power contracts involved an adjustment to reduce Entergy Louisiana Holdings' deduction related to its accounting for the contract to purchase power from the Vidalia hydroelectric project. The adjustment did not have a material impact on Entergy Louisiana Holdings' earnings.

The agreement on overhead allocation methodology related to the Registrant Subsidiaries' 2003 filing of a change in tax accounting method for the allocation of "mixed service costs" to self-produced assets. Entergy reached a settlement agreement sustaining approximately \$700 million of the Registrant Subsidiaries' deductions related to the method change for the year ended December 31, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As Entergy has a consolidated net operating loss for 2003, these adjustments have the effect of reducing the consolidated net operating loss carryover and do not require a payment to the IRS at this time. The settlement did not have a material impact on the Registrant Subsidiaries' earnings. Proposed IRS regulations, effective in year 2005, could substantially reduce the benefit of the 2003 settlement.

Subsequently, Entergy filed an amended 2004 tax return which capitalized \$2.8 billion of costs to inventory. These costs are not part of the settlement agreement with the IRS and are subject to IRS scrutiny. Overall, on a consolidated basis, using a with and without methodology, there has been an estimated \$20 million state cash tax benefit, but only a \$2 million federal cash tax benefit from the cost of goods sold method changes. On a separate company basis, however, Entergy currently estimates the cumulative federal and state cash tax benefit through 2007 to be \$303 million at Entergy Arkansas; \$253 million at System Energy; \$25 million at Entergy Mississippi; and \$4 million at Entergy Louisiana. The estimates of cumulative cash tax benefit are dependent on the outcome of several tax items (including mark to market elections and storm cost deductions). Should these other items fail to be sustained on audit, the estimated cash tax impact of these tax accounting method changes for cost of goods sold would be significantly greater. Were the IRS to successfully deny the use of Entergy's tax accounting method for cost of goods sold, the companies would have to pay back under Entergy's intercompany tax allocation agreement the benefits received.

In the report for the 2002-2003 audit cycle, the IRS also proposed adjustments which Entergy did not agree to as follows: 1) the U.K. Windfall Tax foreign tax credit issue mentioned above; 2) the street lighting issue mentioned above; 3) certain repair deductions; 4) deductions claimed for research and experimentation (R&E) expenditures; 5) income tax credits claimed for R&E; and 6) a 2003 deduction associated with the revisions to the emergency plans at the Indian Point Energy Center. Regarding all of these issues, Entergy disagrees with the IRS Examination Division position and filed a formal protest on July 30, 2007 with the IRS and will pursue administrative relief within the IRS Appeals Division.

Entergy believes that the provisions recorded in its financial statements are sufficient to address these issues as well as other liabilities that are reasonably estimable, including an estimate of probable interest expense, associated with all uncertain tax positions.

The IRS commenced an examination of Entergy's 2004 and 2005 U.S. income tax returns in the fourth quarter 2007. As of December 31, 2007, the IRS has not proposed any adjustments to Entergy's computation of tax for those years.

Entergy has \$237 million in deposits on account with the IRS to cover its uncertain tax positions.

FASB INTERPRETATION NO. 48

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued in July 2006. FIN 48 establishes a "more-likely-than-not" recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. Entergy and the Registrant Subsidiaries adopted the provisions of FIN 48, on January 1, 2007. As a result of the implementation of FIN 48, Entergy recognized an increase in the liability for unrecognized tax benefits of approximately \$5 million, which was accounted for as a reduction to

the January 1, 2007 balance of retained earnings. A reconciliation of Entergy's beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | |
|--|-------------|
| Balance at January 1, 2007 upon implementation | \$1,977,001 |
| Additions based on tax positions related to the current year | 142,827 |
| Additions for tax positions of prior years | 670,385 |
| Reductions for tax positions of prior years | (564,162) |
| Settlements | (102,485) |
| Lapse of statute of limitations | (1,938) |
| Balance at December 31, 2007 | \$2,121,628 |

Included in the December 31, 2007 balance of unrecognized tax benefits are \$1.9 billion of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the effect of deferred tax accounting, other than on interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. Entergy's December 31, 2007 balance of unrecognized tax benefits includes \$242 million which could affect the effective income tax rate. Entergy accrues interest and penalties expenses related to unrecognized tax benefits in income tax expense. Entergy's December 31, 2007 balance of unrecognized tax benefits includes approximately \$50 million accrued for the possible payment of interest and penalties.

Entergy and the Registrant Subsidiaries do not expect that total unrecognized tax benefits will significantly change within the next twelve months; however, the results of audit settlements and pending litigation could result in changes to this total. Entergy is unable to predict or quantify any changes at this time.

NOTE 4. REVOLVING CREDIT FACILITIES, LINES OF CREDIT AND SHORT-TERM BORROWINGS

Entergy Corporation has in place a five-year credit facility, which expires in August 2012 and has a borrowing capacity of \$3.5 billion. Entergy Corporation also has the ability to issue letters of credit against the total borrowing capacity of the credit facility. The facility fee is currently 0.09% of the commitment amount. Facility fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate as of December 31, 2007 was 5.524% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of December 31, 2007 (in millions):

| Capacity | Borrowings | Letters of Credit | Capacity Available |
|----------|------------|-------------------|--------------------|
| \$3,500 | \$2,251 | \$69 | \$1,180 |

Entergy Corporation's facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this ratio, or if Entergy or one of the Registrant Subsidiaries (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility maturity date may occur.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas each had credit facilities available as of December 31, 2007 as follows (except for the Entergy Texas facility, which is expected to become available in March 2008 after the fulfillment of certain closing conditions) (in millions):

| Company | Expiration Date | Amount of Facility | Interest Rate ^(a) | Amount Drawn as of Dec. 31, 2007 |
|-------------------------------|-----------------|----------------------|------------------------------|----------------------------------|
| Entergy Arkansas | April 2008 | \$100 ^(b) | 6.75% | — |
| Entergy Gulf States Louisiana | August 2012 | \$100 ^(c) | 5.025% | — |
| Entergy Louisiana | August 2012 | \$200 ^(d) | 4.96% | — |
| Entergy Mississippi | May 2008 | \$ 30 ^(e) | 5.85% | — |
| Entergy Mississippi | May 2008 | \$ 20 ^(e) | 5.85% | — |
| Entergy Texas | August 2012 | \$100 ^(f) | 5.025% | — |

(a) The interest rate is the weighted average interest rate as of December 31, 2007 that would be applied to the outstanding borrowings under the facility.

(b) The credit facility requires Entergy Arkansas to maintain a total shareholders' equity of at least 25% of its total assets.

(c) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility also requires Entergy Gulf States Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization.

(d) The credit facility allows Entergy Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding.

(e) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable.

(f) The credit facility allows Entergy Texas to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility also requires Entergy Texas to maintain a consolidated debt ratio of 65% or less of its total capitalization.

The facility fees on the credit facilities range from 0.09% to 0.15% of the commitment amount.

In August 2007, Entergy Gulf States, Inc. entered into a \$200 million, 5-year bank credit facility, with the ability to issue letters of credit against the facility. As of December 31, 2007, the Entergy Gulf States, Inc. credit facility split into the two separate credit facilities shown above, a \$100 million credit facility available to Entergy Gulf States Louisiana and a \$100 million credit facility available to Entergy Texas.

The short-term borrowings of the Registrant Subsidiaries and certain other Entergy subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through March 31, 2008 (except Entergy New Orleans, which is effective through May 4, 2009, and Entergy Gulf States Louisiana and Entergy Texas, which are effective through November 8, 2009). In January 2008, Entergy filed an application with the FERC to extend the authorization period for its current short-term borrowing limits and money pool borrowing arrangement until March 2010 (except for Entergy Gulf States Louisiana). In addition to borrowings from commercial banks, these companies are authorized under a FERC order to borrow from the Entergy System money pool. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the FERC authorized limits. As of December 31, 2007,

Entergy's subsidiaries' aggregate money pool and external short-term borrowings authorized limit was \$2.1 billion, the aggregate outstanding borrowing from the money pool was \$346.1 million, and Entergy's subsidiaries' had no outstanding borrowings from external sources.

ENTERGY NEW ORLEANS DEBTOR-IN-POSSESSION CREDIT FACILITY

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. The credit facility provided for up to \$200 million in loans. The interest rate on borrowings under the credit facility was the average interest rate of borrowings outstanding under Entergy Corporation's revolving credit facility. With the confirmation of Entergy New Orleans' plan of reorganization in May 2007, Entergy New Orleans repaid to Entergy Corporation, in full, in cash, the \$67 million of outstanding borrowings under the debtor-in-possession credit facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTE 5. LONG - TERM DEBT

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2007 and 2006 consisted of (in thousands):

| | 2007 | 2006 |
|---|------------------|------------------|
| Mortgage Bonds: | | |
| 4.875% Series due October 2007 – System Energy | \$ – | \$ 70,000 |
| 3.875% Series due August 2008 – Entergy New Orleans | 30,000 | – ^(f) |
| 4.35% Series due April 2008 – Entergy Mississippi | – | 100,000 |
| 3.6% Series due June 2008 – Entergy Gulf States Louisiana ^(g) | 325,000 | 325,000 |
| Libor + 0.75% Series due December 2008 – Entergy Gulf States Louisiana ^(g) | 350,000 | 350,000 |
| Libor + 0.40% Series due December 2009 – Entergy Gulf States Louisiana ^(g) | 219,470 | 225,000 |
| 4.5% Series due May 2010 – Entergy Arkansas | 100,000 | 100,000 |
| 4.67% Series due June 2010 – Entergy Louisiana | 55,000 | 55,000 |
| 4.98% Series due July 2010 – Entergy New Orleans | 30,000 | – ^(f) |
| 5.12% Series due August 2010 – Entergy Gulf States Louisiana ^(g) | 100,000 | 100,000 |
| 5.83% Series due November 2010 – Entergy Louisiana | 150,000 | 150,000 |
| 4.65% Series due May 2011 – Entergy Mississippi | 80,000 | 80,000 |
| 4.875% Series due November 2011 – Entergy Gulf States Louisiana ^(g) | 200,000 | 200,000 |
| 6.2% Series due October 2012 – System Energy | 70,000 | – |
| 6.0% Series due December 2012 – Entergy Gulf States Louisiana ^(g) | 140,000 | 140,000 |
| 5.15% Series due February 2013 – Entergy Mississippi | 100,000 | 100,000 |
| 5.25% Series due August 2013 – Entergy New Orleans | 70,000 | – ^(f) |
| 5.09% Series due September 2014 – Entergy Louisiana | 115,000 | 115,000 |
| 5.6% Series due December 2014 – Entergy Gulf States Louisiana ^(g) | 50,000 | 50,000 |
| 5.70% Series due June 2015 – Entergy Gulf States Louisiana ^(g) | 200,000 | 200,000 |
| 5.25% Series due August 2015 – Entergy Gulf States Louisiana ^(g) | 200,000 | 200,000 |
| 5.56% Series due September 2015 – Entergy Louisiana | 100,000 | 100,000 |
| 5.92% Series due February 2016 – Entergy Mississippi | 100,000 | 100,000 |
| 6.75% Series due October 2017 – Entergy New Orleans | 25,000 | – ^(f) |
| 5.4% Series due May 2018 – Entergy Arkansas | 150,000 | 150,000 |
| 4.95% Series due June 2018 – Entergy Mississippi | 95,000 | 95,000 |
| 5.0% Series due July 2018 – Entergy Arkansas | 115,000 | 115,000 |
| 5.5% Series due April 2019 – Entergy Louisiana | 100,000 | 100,000 |
| 5.6% Series due September 2024 – Entergy New Orleans | 34,862 | – ^(f) |
| 5.66% Series due February 2025 – Entergy Arkansas | 175,000 | 175,000 |
| 5.65% Series due September 2029 – Entergy New Orleans | 39,865 | – ^(f) |
| 6.7% Series due April 2032 – Entergy Arkansas | 100,000 | 100,000 |
| 7.6% Series due April 2032 – Entergy Louisiana | 150,000 | 150,000 |
| 6.0% Series due November 2032 – Entergy Arkansas | 100,000 | 100,000 |
| 6.0% Series due November 2032 – Entergy Mississippi | 75,000 | 75,000 |
| 7.25% Series due December 2032 – Entergy Mississippi | 100,000 | 100,000 |
| 5.9% Series due June 2033 – Entergy Arkansas | 100,000 | 100,000 |
| 6.20% Series due July 2033 – Entergy Gulf States Louisiana ^(g) | 240,000 | 240,000 |
| 6.25% Series due April 2034 – Entergy Mississippi | 100,000 | 100,000 |
| 6.4% Series due October 2034 – Entergy Louisiana | 70,000 | 70,000 |
| 6.38% Series due November 2034 – Entergy Arkansas | 60,000 | 60,000 |
| 6.18% Series due March 2035 – Entergy Gulf States Louisiana ^(g) | 85,000 | 85,000 |
| 6.30% Series due September 2035 – Entergy Louisiana | 100,000 | 100,000 |
| Total Mortgage Bonds | 4,799,197 | 4,675,000 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| | 2007 | 2006 |
|--|---------------------|---------------------|
| Governmental Bonds^(a): | | |
| 5.45% Series due 2010, Calcasieu Parish – Louisiana ^(a) | \$ 22,095 | \$ 22,095 |
| 6.75% Series due 2012, Calcasieu Parish – Louisiana ^(a) | 48,285 | 48,285 |
| 6.7% Series due 2013, Pointe Coupee Parish – Louisiana ^(a) | 17,450 | 17,450 |
| 5.7% Series due 2014, Iberville Parish – Louisiana ^(a) | 21,600 | 21,600 |
| 5.8% Series due 2015, West Feliciana Parish – Louisiana ^(a) | 28,400 | 28,400 |
| 7.0% Series due 2015, West Feliciana Parish – Louisiana ^(a) | 39,000 | 39,000 |
| 5.8% Series due 2016, West Feliciana Parish – Louisiana ^(a) | 20,000 | 20,000 |
| 6.3% Series due 2016, Pope County – Arkansas ^(b) | 19,500 | 19,500 |
| 4.6% Series due 2017, Jefferson County – Arkansas ^(b) | 54,700 | 54,700 |
| 6.3% Series due 2020, Pope County – Arkansas | 120,000 | 120,000 |
| 5.0% Series due 2021, Independence County – Arkansas ^(b) | 45,000 | 45,000 |
| 5.875% Series due 2022, Mississippi Business Finance Corp. | 216,000 | 216,000 |
| 5.9% Series due 2022, Mississippi Business Finance Corp. | 102,975 | 102,975 |
| Auction Rate due 2022, avg. rate 3.63%, Independence County – Mississippi ^(b) | 30,000 | 30,000 |
| 4.6% Series due 2022, Mississippi Business Finance Corp. ^(b) | 16,030 | 16,030 |
| 6.2% Series due 2026, Claiborne County – Mississippi | 90,000 | 90,000 |
| 6.6% Series due 2028, West Feliciana Parish – Louisiana ^(a) | 40,000 | 40,000 |
| Auction Rate due 2030, avg. rate 3.66%, St. Charles Parish – Louisiana ^(b) | 60,000 | 60,000 |
| Total Governmental Bonds | 991,035 | 991,035 |
| Other Long-Term Debt: | | |
| Note Payable to NYPA, non-interest bearing, 4.8% implicit rate | \$ 217,676 | \$ 297,289 |
| 5 year Bank Credit Facility, weighted avg rate 5.524% (Note 4) | 2,251,000 | 820,000 |
| Bank term loan, Entergy Corporation, avg rate 5.43%, due 2010 | 60,000 | 60,000 |
| Bank term loan, Entergy Corporation, avg rate 3.08%, due 2008 | – | 35,000 |
| 6.17% Notes due March 2008, Entergy Corporation | 72,000 | 72,000 |
| 6.23% Notes due March 2008, Entergy Corporation | 15,000 | 15,000 |
| 6.13% Notes due September 2008, Entergy Corporation | 150,000 | 150,000 |
| 7.75% Notes due December 2009, Entergy Corporation | 267,000 | 267,000 |
| 6.58% Notes due May 2010, Entergy Corporation | 75,000 | 75,000 |
| 6.9% Notes due November 2010, Entergy Corporation | 140,000 | 140,000 |
| 7.625% Notes initially due February 2011, Entergy Corporation ^(c) | 500,000 | 500,000 |
| 7.06% Notes due March 2011, Entergy Corporation | 86,000 | 86,000 |
| Long-term DOE Obligation ^(d) | 176,904 | 168,723 |
| Waterford 3 Lease Obligation 7.45% (Note 10) | 247,725 | 247,725 |
| Grand Gulf Lease Obligation 5.13% (Note 10) | 322,005 | 345,340 |
| 5.51% Series Senior Secured, Series A due October 2013, Entergy Gulf States Reconstruction Funding | 93,500 | – |
| 5.79% Series Senior Secured, Series A due October 2018, Entergy Gulf States Reconstruction Funding | 121,600 | – |
| 5.93% Series Senior Secured, Series A due June 2022, Entergy Gulf States Reconstruction Funding | 114,400 | – |
| Unamortized Premium and Discount – Net | (5,596) | (5,991) |
| Other | 30,446 | 40,542 |
| Total Long-Term Debt | 10,724,892 | 8,979,663 |
| Less Amount Due Within One Year | 996,757 | 181,576 |
| Long-Term Debt Excluding Amount Due Within One Year | \$ 9,728,135 | \$ 8,798,087 |
| Fair Value of Long-Term Debt^(e) | \$ 9,351,702 | \$ 8,106,540 |

(a) Consists of pollution control revenue bonds and environmental revenue bonds.

(b) The bonds are secured by a series of collateral first mortgage bonds.

(c) In December 2005, Entergy Corporation sold 10 million equity units with a stated amount of \$50 each. An equity unit consists of (1) a note, initially due February 2011 and initially bearing interest at an annual rate of 5.75%, and (2) a purchase contract that obligates the holder of the equity unit to purchase for \$50 between 0.5705 and 0.7074 shares of Entergy Corporation common stock on or before February 17, 2009. Entergy will pay the holders quarterly contract adjustment payments of 1.875% per year on the stated amount of \$50 per equity unit. Under the terms of the purchase contracts, Entergy Corporation will issue between 5,705,000 and 7,074,000 shares of common stock in the settlement of the purchase contracts (subject to adjustment under certain circumstances).

(d) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.

(e) The fair value excludes lease obligations and long-term DOE obligations, and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms.

(f) Pending developments in the Entergy New Orleans bankruptcy proceeding, Entergy deconsolidated Entergy New Orleans and reported its financial position and results under the equity method of accounting in 2005 and 2006. Entergy reconsolidated Entergy New Orleans in 2007.

(g) Entergy Gulf States Louisiana remains primarily liable for all of the long-term debt issued by Entergy Gulf States, Inc. that was outstanding on December 31, 2007. Under a debt assumption agreement with Entergy Gulf States Louisiana, Entergy Texas assumed approximately 46% of this long-term debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The annual long-term debt maturities (excluding lease obligations) for debt outstanding as of December 31, 2007, for the next five years are as follows (in thousands):

| | |
|------|-------------|
| 2008 | \$ 970,002 |
| 2009 | \$ 515,950 |
| 2010 | \$ 762,061 |
| 2011 | \$ 896,961 |
| 2012 | \$2,537,488 |

In November 2000, Entergy's Non-Utility Nuclear business purchased the FitzPatrick and Indian Point 3 power plants in a seller-financed transaction. Entergy issued notes to NYPA with seven annual installments of approximately \$108 million commencing one year from the date of the closing, and eight annual installments of \$20 million commencing eight years from the date of the closing. These notes do not have a stated interest rate, but have an implicit interest rate of 4.8%. In accordance with the purchase agreement with NYPA, the purchase of Indian Point 2 in 2001 resulted in Entergy's Non-Utility Nuclear business becoming liable to NYPA for an additional \$10 million per year for 10 years, beginning in September 2003. This liability was recorded upon the purchase of Indian Point 2 in September 2001, and is included in the note payable to NYPA balance above. In July 2003, a payment of \$102 million was made prior to maturity on the note payable to NYPA. Under a provision in a letter of credit supporting these notes, if certain of the Utility operating companies or System Energy were to default on other indebtedness, Entergy could be required to post collateral to support the letter of credit.

Covenants in the Entergy Corporation notes require it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy's debt ratio exceeds this limit, or if Entergy or certain of the Utility operating companies default on other indebtedness or are in bankruptcy or insolvency proceedings, an acceleration of the notes' maturity dates may occur.

Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have received FERC long-term financing orders authorizing long-term securities issuances. Entergy Arkansas has received an APSC long-term financing order authorizing long-term securities issuances. The long-term securities issuances of Entergy New Orleans are limited to amounts authorized by the City Council, and it intends to file a request during 2008 for renewal of its authority.

CAPITAL FUNDS AGREEMENT

Pursuant to an agreement with certain creditors, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the agreement assigning System Energy's rights in the agreement as security for the specific debt.

ENTERGY TEXAS SECURITIZATION BONDS

In April 2007, the PUCT issued a financing order authorizing the issuance of securitization bonds to recover \$353 million of Entergy Texas' Hurricane Rita reconstruction costs and up to \$6 million of transaction costs, offset by \$32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company wholly-owned and consolidated by Entergy Texas, issued \$329.5 million of senior secured transition bonds (securitization bonds), as follows (in thousands):

| | |
|--|-----------|
| Senior Secured Transition Bonds, Series A: | |
| Tranche A-1 (5.51%) due October 2013 | \$ 93,500 |
| Tranche A-2 (5.79%) due October 2018 | 121,600 |
| Tranche A-3 (5.93%) due June 2022 | 114,400 |
| Total senior secured transition bonds | \$329,500 |

Although the principal amount of each tranche is not due until the dates given above, Entergy Gulf States Reconstruction Funding expects to make principal payments on the bonds over the next five years in the amounts of \$19.1 million for 2008, \$17.7 million for 2009, \$18.6 million for 2010, \$19.7 million for 2011, and \$20.8 million for 2012. All of the scheduled principal payments for 2008-2012 are for Tranche A-1, except for \$2.3 million for Tranche A-2 in 2012.

With the proceeds, Entergy Gulf States Reconstruction Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. Entergy Texas began cost recovery through the transition charge in July 2007. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Gulf States Reconstruction Funding, including the transition property, and the creditors of Entergy Gulf States Reconstruction Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Gulf States Reconstruction Funding except to remit transition charge collections.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**NOTE 6. PREFERRED EQUITY**

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and minority interest for Entergy Corporation subsidiaries as of December 31, 2007 and 2006 are presented below. All series of the Utility preferred stock are redeemable at the option of the related company (\$ in thousands):

| | Shares/Units Authorized | | Shares/Units Outstanding | | | |
|--|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Entergy Corporation | | | | | | |
| Utility: | | | | | | |
| Preferred Stock or Membership Interests without sinking fund: | | | | | | |
| Entergy Arkansas, 4.32% – 7.88% Series | 3,413,500 | 3,413,500 | 3,413,500 | 3,413,500 | \$116,350 | \$116,350 |
| Entergy Gulf States Louisiana, Series A 8.25% | 100,000 | – | 100,000 | – | 10,000 | – |
| Entergy Gulf States Louisiana, 4.20% – 7.56% Series | – | 473,268 | – | 473,268 | – | 47,327 |
| Entergy Louisiana, 6.95% Series ^(d) | 1,000,000 | 1,000,000 | 840,000 | 1,000,000 | 84,000 | 100,000 |
| Entergy Mississippi, 4.36% – 6.25% Series | 1,403,807 | 1,403,807 | 1,403,807 | 1,403,807 | 50,381 | 50,381 |
| Entergy New Orleans, 4.36% – 5.56% Series ^(e) | 197,798 | – | 197,798 | – | 19,780 | – |
| Total Utility Preferred Stock or Preferred Membership Interests without sinking fund | 6,115,105 | 6,290,575 | 5,955,105 | 6,290,575 | 280,511 | 314,058 |
| Non-Utility Wholesale Assets Business: | | | | | | |
| Preferred Stock without sinking fund: | | | | | | |
| Entergy Asset Management, 11.50% rate ^(a) | 1,000,000 | 1,000,000 | 297,376 | 297,376 | 29,738 | 29,738 |
| Other | – | – | – | – | 913 | 1,117 |
| Total Preferred Stock or Preferred Membership Interests without sinking fund and Preference Stock | 7,115,105 | 7,290,575 | 6,252,481 | 6,587,951 | \$311,162 | \$344,913 |
| Utility: | | | | | | |
| Preferred Stock with sinking fund: | | | | | | |
| Entergy Gulf States Louisiana, Adjustable Rate 7.0% ^(b) | – | 105,000 | – | 105,000 | \$ – | \$ 10,500 |
| Total Preferred Stock with sinking fund | – | 105,000 | – | 105,000 | \$ – | \$ 10,500 |
| Fair Value of Preferred Stock with sinking fund^(c) | | | | | \$ – | \$ 7,950 |

(a) Subsequent to December 31, 2007, the rate was reset to 8.95%. The preferred stockholders' agreement provides that each December 31 either Entergy Asset Management or the preferred shareholders may request that the preferred dividend rate be reset. If Entergy Asset Management and the preferred shareholders are unable to agree on a dividend reset rate, a preferred shareholder can request that its shares be sold to a third party. If Entergy Asset Management is unable to sell the preferred shares within 75 days, the preferred shareholder has the right to take control of the Entergy Asset Management board of directors for the purpose of liquidating the assets of Entergy Asset Management in order to repay the preferred shares and any accrued dividends.

(b) Represents weighted-average annualized rate for 2006.

(c) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is additional disclosure of fair value of financial instruments in Note 16 to the financial statements.

(d) In 2007, Entergy Louisiana Holding, an Entergy subsidiary, purchased 160,000 of these shares from the holders.

(e) Pending developments in the Entergy New Orleans bankruptcy proceeding, Entergy deconsolidated Entergy New Orleans and reported its financial position and results under the equity method of accounting in 2005 and 2006. Entergy reconsolidated Entergy New Orleans in 2007.

All outstanding preferred stock and membership interests are cumulative.

At December 31, Entergy Gulf States Louisiana had outstanding 100,000 units of no par value 8.25% Series Preferred Membership Interests that were initially issued by Entergy Gulf States, Inc. as preference stock. The preference shares were converted into the preferred units as part of the jurisdictional separation. The distributions are cumulative and payable quarterly beginning March 15, 2008. The preferred membership interests are redeemable on or after December 15, 2015, at Entergy Gulf States Louisiana's option, at the fixed redemption price of \$100 per unit.

In December 2007, Entergy Gulf States, Inc. redeemed all outstanding shares of the following series of preferred stock:

| Series of Entergy Gulf States Louisiana Preferred Stock | Redemption Price Per Share |
|--|-----------------------------------|
| 4.50% Preferred Stock, Cumulative, \$100 par value | \$105.00 |
| 4.40% Preferred Stock, Cumulative, \$100 par value | \$108.00 |
| 4.40% Preferred Stock, Cumulative, \$100 par value | \$103.00 |
| 4.20% Preferred Stock, Cumulative, \$100 par value | \$102.818 |
| 4.44% Preferred Stock, Cumulative, \$100 par value | \$103.75 |
| 5.00% Preferred Stock, Cumulative, \$100 par value | \$104.25 |
| 5.08% Preferred Stock, Cumulative, \$100 par value | \$104.63 |
| 4.52% Preferred Stock, Cumulative, \$100 par value | \$103.57 |
| 6.08% Preferred Stock, Cumulative, \$100 par value | \$103.34 |
| 7.56% Preferred Stock, Cumulative, \$100 par value | \$101.80 |
| Adjustable Rate A Preferred Stock, Cumulative, \$100 par value | \$100.00 |
| Adjustable Rate B Preferred Stock, Cumulative, \$100 par value | \$100.00 |

Entergy Gulf States Louisiana's preferred stock with sinking fund retirements were 34,500 shares in 2006 and 2005. Entergy Gulf States Louisiana has no annual sinking fund requirements for its preferred membership interests outstanding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTE 7. COMMON EQUITY**COMMON STOCK****Treasury Stock**

Treasury stock activity for Entergy for 2007, 2006, and 2005 is as follows (\$ in thousands):

| | 2007 | | 2006 | | 2005 | |
|---|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | Treasury Shares | Cost | Treasury Shares | Cost | Treasury Shares | Cost |
| Beginning Balance, January 1 | 45,506,311 | \$2,644,390 | 40,644,602 | \$2,161,960 | 31,345,028 | \$1,432,019 |
| Repurchases | 11,581,842 | 1,215,578 | 6,672,000 | 584,193 | 12,280,500 | 878,188 |
| Issuances: | | | | | | |
| Employee Stock-Based Compensation Plans | (2,029,686) | (124,801) | (1,803,471) | (101,393) | (2,965,006) | (147,888) |
| Directors' Plan | (4,620) | (302) | (6,820) | (370) | (15,920) | (359) |
| Ending Balance, December 31 | 55,053,847 | \$3,734,865 | 45,506,311 | \$2,644,390 | 40,644,602 | \$2,161,960 |

Entergy Corporation reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), two Equity Ownership Plans of Entergy Corporation and Subsidiaries, the Equity Awards Plan of Entergy Corporation and Subsidiaries, and certain other stock benefit plans. The Directors' Plan awards to non-employee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation common stock.

In January 2007, the Board approved a repurchase program under which Entergy is authorized to repurchase up to \$1.5 billion of its common stock, which Entergy expects to complete in 2008. In January 2008, the Board authorized an incremental \$500 million share repurchase program to enable Entergy to consider opportunistic purchases in response to equity market conditions.

The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities.

The Board had previously approved a program under which Entergy was authorized to repurchase up to \$1.5 billion of its common stock through 2006. Entergy completed this program in the fourth quarter 2006.

RETAINED EARNINGS AND DIVIDEND RESTRICTIONS

Provisions within the articles of incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. As of December 31, 2007, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of \$396.4 million and \$121.6 million, respectively. Entergy Corporation received dividend payments from subsidiaries totaling \$625 million in 2007, \$950 million in 2006, and \$424 million in 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**NOTE 8. COMMITMENTS AND CONTINGENCIES**

Entergy and its subsidiaries are involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material adverse effect on Entergy's results of operations, cash flows, or financial condition. Entergy discusses regulatory proceedings in Note 2 to the financial statements and discusses tax proceedings in Note 3 to the financial statements.

VIDALIA PURCHASED POWER AGREEMENT

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately \$130.8 million in 2007, \$107.1 million in 2006, and \$115.1 million in 2005. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately \$144.5 million in 2008, and a total of \$3.0 billion for the years 2009 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause. In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by \$11 million each year for up to ten years, beginning in October 2002. In addition, in accordance with an LPSC settlement, Entergy Louisiana credited rates in August 2007 by \$11.8 million (including interest) as a result of a settlement with the IRS of the 2001 tax treatment of the Vidalia contract. The provisions of the settlement also provide that the LPSC shall not recognize or use Entergy Louisiana's use of the cash benefits from the tax treatment in setting any of Entergy Louisiana's rates. Therefore, to the extent Entergy Louisiana's use of the proceeds would ordinarily have reduced its rate base, no change in rate base shall be reflected for ratemaking purposes.

NUCLEAR INSURANCE**Third Party Liability Insurance**

The Price-Anderson Act provides insurance for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act requires nuclear power plants to show evidence of financial protection in the event of a nuclear accident. This protection must consist of two levels:

1. The primary level is private insurance underwritten by American Nuclear Insurers and provides public liability insurance coverage of \$300 million. If this amount is not sufficient to cover claims arising from an accident, the second level, Secondary Financial Protection, applies.
2. Within the Secondary Financial Protection level, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, up to a maximum of \$100.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is \$1.1 billion). This consists of a \$95.8 million maximum retrospective premium plus a five percent surcharge that may be payable, if needed, at a rate that is presently set at \$15 million per year per nuclear power reactor. There are no terrorism limitations.

Currently, 104 nuclear reactors are participating in the Secondary Financial Protection program. The product of the maximum retrospective premium assessment to the nuclear power industry and the number of nuclear power reactors provides over \$10 billion in insurance coverage to compensate the public in the event of a nuclear power reactor accident.

Entergy Arkansas has two licensed reactors and Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy each have one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (SMEPA) that which would share on a pro-rata basis in any retrospective premium assessment to System Energy under the Price-Anderson Act). Entergy's Non-Utility Nuclear business owns and operates six nuclear power reactors and owns the shutdown Indian Point 1 reactor.

An additional but temporary contingent liability had existed for all nuclear power reactor owners because of a previous Nuclear Worker Tort (long-term bodily injury caused by exposure to nuclear radiation while employed at a nuclear power plant) insurance program that was in place from 1988 to 1998. This contingent premium assessment feature expired on December 31, 2007.

Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of certain mutual insurance companies that provide property damage coverage, including decontamination and premature decommissioning expense, to the members' nuclear generating plants. These programs are underwritten by Nuclear Electric Insurance Limited (NEIL). As of December 31, 2007, Entergy was insured against such losses per the following structures:

Utility Plants (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3)

- Primary Layer (per plant) - \$500 million per occurrence
- Excess Layer (per plant) - \$750 million per occurrence
- Blanket Layer (shared among the Utility plants) - \$350 million per occurrence
- Total limit - \$1.6 billion per occurrence
- Deductibles:
 - \$2.5 million per occurrence - Turbine/generator damage
 - \$2.5 million per occurrence - Other than turbine/generator damage

Note: ANO 1 and 2 share in the Primary Layer with one policy in common for that site because the policy is issued on a per site basis.

Non-Utility Nuclear Plants (Indian Point 2 and 3, FitzPatrick, Pilgrim, Vermont Yankee, Palisades, and Big Rock Point)

- Primary Layer (per plant) - \$500 million per occurrence
- Excess Layer - \$615 million per occurrence
- Total limit - \$1.115 billion per occurrence
- Deductibles:
 - \$2.5 million per occurrence - Turbine/generator damage
 - \$2.5 million per occurrence - Other than turbine/generator damage

Note: Indian Point 2 and 3 share in the Primary Layer with one policy in common for that site because the policy is issued on a per site basis. Big Rock Point has its own Primary policy with no excess coverage.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

In addition, Waterford 3, Grand Gulf, and the Non-Utility Nuclear plants are also covered under NEIL's Accidental Outage Coverage program. This coverage provides certain fixed indemnities in the event of an unplanned outage that results from a covered NEIL property damage loss, subject to a deductible. The following summarizes this coverage as of December 31, 2007:

Waterford 3

- \$2.95 million weekly indemnity
- \$413 million maximum indemnity
- Deductible: 26 week waiting period

Grand Gulf

- \$100,000 weekly indemnity
- \$14 million maximum indemnity
- Deductible: 26 week waiting period

Indian Point 2 & 3 and Palisades (Indian Point 2 & 3 share the limits)

- \$4.5 million weekly indemnity
- \$490 million maximum indemnity
- Deductible: 12 week waiting period

FitzPatrick and Pilgrim (each plant has an individual policy with the noted parameters)

- \$4.0 million weekly indemnity
- \$490 million maximum indemnity
- Deductible: 12 week waiting period

Vermont Yankee

- \$4.0 million weekly indemnity
- \$435 million maximum indemnity
- Deductible: 12 week waiting period

Under the property damage and accidental outage insurance programs, Entergy nuclear plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. As of December 31, 2007, the maximum amounts of such possible assessments per occurrence were as follows (in millions):

| | |
|-------------------------------|--------|
| Utility: | |
| Entergy Arkansas | \$20.7 |
| Entergy Gulf States Louisiana | \$15.5 |
| Entergy Louisiana | \$17.1 |
| Entergy Mississippi | \$0.06 |
| Entergy New Orleans | \$0.06 |
| System Energy | \$13.6 |
| Non-Utility Nuclear | \$86.8 |

Entergy maintains property insurance for its nuclear units in excess of the NRC's minimum requirement of \$1.06 billion per site for nuclear power plant licensees. NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of non-certified terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate of \$3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses. There is no aggregate limit involving one or more acts of certified terrorism.

CONVENTIONAL PROPERTY INSURANCE

Entergy's conventional property insurance program provides coverage up to \$400 million on an Entergy system-wide basis for all operational perils including direct physical loss or damage due to machinery breakdown, electrical failure, fire, lightning, hail, and explosion on an "each and every loss" basis. In addition to this coverage, the program provides coverage up to \$350 million on an Entergy system-wide basis for all natural perils including named windstorm, earthquake and flood on an annual aggregate basis. The coverage is subject to a \$20 million self-insured retention per occurrence for operational perils or a 2% of the insured loss retention per occurrence for natural perils (up to a \$35 million maximum self-insured retention). Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes above-ground transmission and distribution lines, poles, and towers. The primary property program consists of a \$150 million layer in excess of the self-insured retention and is placed through various insurers. The excess program consists of a \$250 million layer in excess of the \$150 million primary program for operational perils and a \$150 million layer in excess of the \$150 million primary program for natural perils and is placed on a quota share basis through several insurers. The natural perils additional layer program consists of a \$50 million layer in excess the \$150 million excess program and is also placed on a quota share basis through several insurers. Coverage is in place for Entergy Corporation, the Registrant Subsidiaries, and certain other Entergy subsidiaries, including the owners of the Non-Utility Nuclear power plants.

In addition to the conventional property insurance program, Entergy has purchased additional coverage (\$20 million per occurrence) for some of its non-regulated, non-generation assets. This policy serves to buy-down the \$20 million deductible and is placed on a scheduled location basis. The applicable deductibles are \$100,000 to \$250,000.

Hurricane Katrina and Hurricane Rita Claims

Entergy has received a total of \$134.5 million as of December 31, 2007 on its Hurricane Katrina and Hurricane Rita insurance claims, including \$69.5 million that Entergy received in the second quarter 2007 in settlement of its Hurricane Katrina claim with one of its two excess insurers. Of the \$134.5 million received, \$70.7 million was allocated to Entergy New Orleans, \$33.2 million to Entergy Gulf States, Inc. (including \$20.7 million to Entergy Texas), and \$24.8 million to Entergy Louisiana. In the third quarter 2007, Entergy filed a lawsuit in the U.S. District Court for the Eastern District of Louisiana against its other excess insurer on the Hurricane Katrina claim. At issue in the lawsuit is whether any policy exclusions limit the extent of coverage provided by that insurer.

There was an aggregation limit of \$1 billion for all parties insured by the primary insurer for any one occurrence at the time of the Hurricane Katrina and Rita losses, and the primary insurer notified Entergy that it expects claims for both Hurricanes Katrina and Rita to materially exceed this limit. Entergy currently estimates that its remaining

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

net insurance recoveries for the losses caused by the hurricanes, including the effects of the primary insurance aggregation limit being exceeded and the litigation against the excess insurer, will be approximately \$270 million, including \$31 million for Entergy Gulf States Louisiana, \$27 million for Entergy Louisiana, \$151 million for Entergy New Orleans and \$51 million for Entergy Texas.

To the extent that Entergy New Orleans receives insurance proceeds for future construction expenditures associated with rebuilding its gas system, the October 2006 City Council resolution approving the settlement of Entergy New Orleans' rate and storm-cost recovery filings requires Entergy New Orleans to record those proceeds in a designated sub-account of other deferred credits. This other deferred credit is shown as "Gas system rebuild insurance proceeds" on Entergy New Orleans' balance sheet.

NYPA VALUE SHARING AGREEMENTS

Non-Utility Nuclear's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. In October 2007, Non-Utility Nuclear and NYPA amended and restated the value sharing agreements to clarify and amend certain provisions of the original terms. Under the amended value sharing agreements, Non-Utility Nuclear will make annual payments to NYPA based on the generation output of the Indian Point 3 and FitzPatrick plants from January 2007 through December 2014. Non-Utility Nuclear will pay NYPA \$6.59 per MWh for power sold from Indian Point 3, up to an annual cap of \$48 million, and \$3.91 per MWh for power sold from FitzPatrick, up to an annual cap of \$24 million. The annual payment for each year is due by January 15 of the following year, with the payment for year 2007 output due on January 15, 2008. If Entergy or an Entergy affiliate ceases to own the plants, then, after January 2009, the annual payment obligation terminates for generation after the date that Entergy ownership ceases.

Non-Utility Nuclear will record its liability for payments to NYPA as power is generated and sold by Indian Point 3 and FitzPatrick. Non-Utility Nuclear recorded a \$72 million liability for generation through December 31, 2007. An amount equal to the liability will be recorded to the plant asset account as contingent purchase price consideration for the plants. This amount will be depreciated over the expected remaining useful life of the plants.

Non-Utility Nuclear had previously calculated that \$0 was owed to NYPA under the value sharing agreements for generation output in 2005 and 2006. In November 2006, NYPA filed a demand for arbitration claiming that \$90.5 million was due to NYPA for 2005 under these agreements, and NYPA filed in April 2007 an amended demand for arbitration claiming that an additional \$54 million was due to NYPA for 2006 under the value sharing agreements. As part of their agreement to amend the value sharing agreements, Non-Utility Nuclear and NYPA waived all present and future claims under the previous value sharing terms, including the claims for 2005 and 2006 pending before the arbitrator.

EMPLOYMENT AND LABOR-RELATED PROCEEDINGS

The Registrant Subsidiaries and other Entergy subsidiaries are responding to various lawsuits in both state and federal courts and to other labor-related proceedings filed by current and former employees. These actions include, but are not limited to, allegations of wrongful employment actions; wage disputes and other claims under the Fair Labor Standards Act or its state counterparts; claims of race, gender and disability discrimination; disputes arising under collective bargaining agreements; unfair labor practice proceedings and other administrative proceedings before the National Labor Relations

Board; claims of retaliation; and claims for or regarding benefits under various Entergy Corporation sponsored plans. Entergy and the Registrant Subsidiaries are responding to these suits and proceedings and deny liability to the claimants.

ASBESTOS AND HAZARDOUS MATERIAL LITIGATION

Numerous lawsuits have been filed in federal and state courts in Texas, Louisiana, and Mississippi primarily by contractor employees in the 1950-1980 timeframe against Entergy Gulf States, Inc., Entergy Louisiana, Entergy New Orleans, and Entergy Mississippi as premises owners of power plants, for damages caused by alleged exposure to asbestos or other hazardous material. Many other defendants are named in these lawsuits as well. Presently, there are approximately 600 lawsuits involving approximately 8,000 claimants. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover reimbursements. Management believes that loss exposure has been and will continue to be handled successfully so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position or results of operation of these companies.

NOTE 9. ASSET RETIREMENT OBLIGATIONS

SFAS 143, "Accounting for Asset Retirement Obligations," requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. For Entergy, substantially all of its asset retirement obligations consist of its liability for decommissioning its nuclear power plants. In addition, an insignificant amount of removal costs associated with non-nuclear power plants is also included in the decommissioning line item on the balance sheets.

These liabilities are recorded at their fair values (which are the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation is accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The accretion will continue through the completion of the asset retirement activity. The amounts added to the carrying amounts of the long-lived assets will be depreciated over the useful lives of the assets. The application of SFAS 143 is expected to be earnings neutral to the rate-regulated business of the Registrant Subsidiaries.

In accordance with ratemaking treatment and as required by SFAS 71, the depreciation provisions for the Utility operating companies and System Energy include a component for removal costs that are not asset retirement obligations under SFAS 143. In accordance with regulatory accounting principles, the Utility operating companies and System Energy have recorded regulatory assets (liabilities) in the following amounts to reflect their estimates of the difference between estimated incurred removal costs and estimated removal costs recovered in rates (in millions):

| December 31, | 2007 | 2006 |
|-------------------------------|----------|---------|
| Entergy Arkansas | \$ 23.0 | \$45.0 |
| Entergy Gulf States Louisiana | \$(13.9) | \$ 5.6 |
| Entergy Louisiana | \$(64.0) | \$ 2.3 |
| Entergy Mississippi | \$ 35.7 | \$41.2 |
| Entergy New Orleans | \$ 1.5 | \$13.9 |
| Entergy Texas | \$ (4.9) | \$(1.8) |
| System Energy | \$ 16.9 | \$20.7 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2007 by Entergy were as follows (in millions):

| | Liabilities as of Dec. 31, 2006 | Accretion | Change In Cash Flow Estimate | Spending | Liabilities as of Dec. 31, 2007 |
|------------------------------------|---------------------------------------|-----------|---------------------------------------|-----------|---------------------------------------|
| Utility: | | | | | |
| Entergy Arkansas | \$472.8 | \$32.8 | \$ - | \$ - | \$ 505.6 |
| Entergy Gulf States Louisiana | \$191.0 | \$16.9 | \$ (3.1) ^(a) | \$ - | \$ 204.8 |
| Entergy Louisiana | \$238.5 | \$18.6 | \$ - | \$ - | \$ 257.1 |
| Entergy Mississippi | \$ 4.3 | \$ 0.2 | \$ - | \$ - | \$ 4.5 |
| Entergy New Orleans | \$ 2.6 | \$ 0.2 | \$ - | \$ - | \$ 2.8 |
| Entergy Texas | \$ 2.9 | \$ 0.2 | \$ - | \$ - | \$ 3.1 |
| System Energy | \$342.8 | \$25.8 | \$ - | \$ - | \$ 368.6 |
| Non-Utility Nuclear ^(b) | \$993.0 | \$78.6 | \$ 100.4 | \$ (30.4) | \$1,141.6 |
| Other | \$ 1.1 | \$ - | \$ - | \$ - | \$ 1.1 |

(a) Represents the \$3.1 million allocated to Entergy Texas as part of the jurisdictional separation.

(b) The Non-Utility Nuclear liability as of December 31, 2006 includes \$219.7 million for the Palisades nuclear plant which was acquired in April 2007.

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. As described below, during 2005, 2006, and 2007 Entergy updated decommissioning cost estimates for certain Non-Utility Nuclear plants.

In the fourth quarter 2007, Entergy's Non-Utility Nuclear business recorded an increase of \$100 million in decommissioning liabilities for certain of its plants as a result of revised decommissioning cost studies. The revised estimates resulted in the recognition of a \$100 million asset retirement obligation asset that will be depreciated over the remaining life of the units.

In the third quarter 2006, Entergy's Non-Utility Nuclear business recorded a reduction of \$27.0 million in decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of the plant will begin. The revised estimate resulted in miscellaneous income of \$27.0 million (\$16.6 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated asset retirement cost recorded at the time of adoption of SFAS 143.

In the first quarter 2005, Entergy's Non-Utility Nuclear business recorded a reduction of \$26.0 million in its decommissioning cost liability in conjunction with a new decommissioning cost study as a result of revised decommissioning costs and changes in assumptions regarding the timing of the decommissioning of a plant. The revised estimate resulted in miscellaneous income of \$26.0 million (\$15.8 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated retirement cost recorded at the time of adoption of SFAS 143.

For the Indian Point 3 and FitzPatrick plants purchased in 2000, NYPA retained the decommissioning trusts and the decommissioning liability. NYPA and Entergy executed decommissioning agreements, which specify their decommissioning obligations. NYPA has the right to require Entergy to assume the decommissioning liability provided that it assigns the corresponding decommissioning trust, up to a specified level, to Entergy. If the decommissioning liability is retained by NYPA, Entergy will perform the decommissioning of the plants

at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trusts. Entergy believes that the amounts available to it under either scenario are sufficient to cover the future decommissioning costs without any additional contributions to the trusts.

Entergy maintains decommissioning trust funds that are committed to meeting the costs of decommissioning the nuclear power plants. The fair values of the decommissioning trust funds and the related asset retirement obligation regulatory assets of Entergy as of December 31, 2007 are as follows (in millions):

| | Decommissioning Trust Fair Values | Regulatory Asset |
|---------------------|-----------------------------------|------------------|
| Utility: | | |
| ANO 1 and ANO 2 | \$ 466.3 | \$139.4 |
| River Bend | \$ 366.1 | \$ 5.9 |
| Waterford 3 | \$ 222.0 | \$ 66.2 |
| Grand Gulf | \$ 315.7 | \$ 95.5 |
| Non-Utility Nuclear | \$1,937.5 | \$ - |

NOTE 10. LEASES

GENERAL

As of December 31, 2007, Entergy Corporation and subsidiaries had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) with minimum lease payments as follows (in thousands):

| Year | Operating Leases | Capital Leases |
|---|---------------------|-------------------|
| 2008 | \$ 98,717 | \$ 3,553 |
| 2009 | 139,188 | 2,037 |
| 2010 | 60,982 | 2,037 |
| 2011 | 44,923 | 2,037 |
| 2012 | 31,567 | 2,037 |
| Years thereafter | 132,884 | 3,657 |
| Minimum lease payments | 508,261 | 15,358 |
| Less: Amount representing interest | - | 3,361 |
| Present value of net minimum lease payments | \$508,261 | \$11,997 |

Total rental expenses for all leases (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) amounted to \$78.8 million in 2007, \$78.0 million in 2006, and \$71.2 million in 2005.

NUCLEAR FUEL LEASES

As of December 31, 2007, arrangements to lease nuclear fuel existed in an aggregate amount up to \$155 million for Entergy Arkansas, \$100 million for Entergy Gulf States Louisiana, \$110 million for Entergy Louisiana, and \$135 million for System Energy. As of December 31, 2007, the unrecovered cost base of nuclear fuel leases amounted to approximately \$124.6 million for Entergy Arkansas, \$90.3 million for Entergy Gulf States Louisiana, \$44.5 million for Entergy Louisiana, and \$81.6 million for System Energy. The lessors finance the acquisition and ownership of nuclear fuel through loans made under revolving credit agreements, the issuance of commercial paper, and the issuance of intermediate-term notes. The credit agreements for Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy each have a termination date of August 12, 2010. The termination dates may be extended from time to time with the consent of the lenders. The intermediate-term notes issued pursuant to these

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

fuel lease arrangements have varying maturities through September 15, 2011. It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. However, if such additional financing cannot be arranged, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations in accordance with the fuel lease.

Lease payments are based on nuclear fuel use. The table below represents the total nuclear fuel lease payments (principal and interest), as well as the separate interest component charged to operations, in 2007, 2006, and 2005 for the four Registrant Subsidiaries that own nuclear power plants (in millions):

| | 2007 | | 2006 | | 2005 | |
|-------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | Lease | | Lease | | Lease | |
| | Payments | Interest | Payments | Interest | Payments | Interest |
| Entergy Arkansas | \$ 61.7 | \$ 5.8 | \$ 55.0 | \$ 5.0 | \$ 47.5 | \$ 3.9 |
| Entergy Gulf | | | | | | |
| States Louisiana | 31.5 | 2.8 | 28.1 | 3.6 | 27.2 | 3.5 |
| Entergy Louisiana | 44.2 | 4.0 | 35.5 | 2.4 | 30.9 | 2.6 |
| System Energy | 30.4 | 4.0 | 32.8 | 3.6 | 30.2 | 2.9 |
| Total | \$167.8 | \$16.6 | \$151.4 | \$14.6 | \$135.8 | \$12.9 |

SALE AND LEASEBACK TRANSACTIONS

Waterford 3 Lease Obligations

In 1989, Entergy Louisiana sold and leased back 9.3% of its interest in Waterford 3 for the aggregate sum of \$353.6 million. The lease has an approximate term of 28 years. The lessors financed the sale-leaseback through the issuance of Waterford 3 Secured Lease Obligation Bonds. The lease payments made by Entergy Louisiana are sufficient to service the debt.

In 1994, Entergy Louisiana did not exercise its option to repurchase the 9.3% interest in Waterford 3. As a result, Entergy Louisiana issued \$208.2 million of non-interest bearing first mortgage bonds as collateral for the equity portion of certain amounts payable under the lease.

In 1997, the lessors refinanced the outstanding bonds used to finance the purchase of the 9.3% interest in Waterford 3 at lower interest rates, which reduced Entergy Louisiana's annual lease payments.

Upon the occurrence of certain events, Entergy Louisiana may be obligated to assume the outstanding bonds used to finance the purchase of the 9.3% interest in the unit and to pay an amount sufficient to withdraw from the lease transaction. Such events include lease events of default, events of loss, deemed loss events, or certain adverse "Financial Events." "Financial Events" include, among other things, failure by Entergy Louisiana, following the expiration of any applicable grace or cure period, to maintain (i) total equity capital (including preferred membership interests) at least equal to 30% of adjusted capitalization, or (ii) a fixed charge coverage ratio of at least 1.50 computed on a rolling 12 month basis.

As of December 31, 2007, Entergy Louisiana's total equity capital (including preferred stock) was 57.0% of adjusted capitalization and its fixed charge coverage ratio for 2007 was 3.7.

As of December 31, 2007, Entergy Louisiana had future minimum lease payments (reflecting an overall implicit rate of 7.45%) in connection with the Waterford 3 sale and leaseback transactions, which are recorded as long-term debt, as follows (in thousands):

| | |
|--|------------------|
| 2008 | \$ 22,606 |
| 2009 | 32,452 |
| 2010 | 35,138 |
| 2011 | 50,421 |
| 2012 | 39,067 |
| Years thereafter | 164,158 |
| Total | 343,842 |
| Less: Amount representing interest | 96,117 |
| Present value of net minimum lease payments | \$247,725 |

Grand Gulf Lease Obligations

In December 1988, System Energy sold 11.5% of its undivided ownership interest in Grand Gulf for the aggregate sum of \$500 million. Subsequently, System Energy leased back the 11.5% interest in the unit for a term of 26-1/2 years. System Energy has the option of terminating the lease and repurchasing the 11.5% interest in the unit at certain intervals during the lease. Furthermore, at the end of the lease term, System Energy has the option of renewing the lease or repurchasing the 11.5% interest in Grand Gulf.

In May 2004, System Energy caused the Grand Gulf lessors to refinance the outstanding bonds that they had issued to finance the purchase of their undivided interest in Grand Gulf. The refinancing is at a lower interest rate, and System Energy's lease payments have been reduced to reflect the lower interest costs.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. For financial reporting purposes, System Energy expenses the interest portion of the lease obligation and the plant depreciation. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount of this net regulatory asset was \$36.6 million and \$51.1 million as of December 31, 2007 and 2006, respectively.

As of December 31, 2007, System Energy had future minimum lease payments (reflecting an implicit rate of 5.13%), which are recorded as long-term debt as follows (in thousands):

| | |
|--|------------------|
| 2008 | \$ 47,128 |
| 2009 | 47,760 |
| 2010 | 48,569 |
| 2011 | 49,437 |
| 2012 | 49,959 |
| Years thereafter | 154,436 |
| Total | 397,289 |
| Less: Amount representing interest | 75,284 |
| Present value of net minimum lease payments | \$322,005 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTE 11. RETIREMENT, OTHER POSTRETIREMENT BENEFITS, AND DEFINED CONTRIBUTION PLANS QUALIFIED PENSION PLANS

Entergy has seven qualified pension plans covering substantially all of its employees: "Entergy Corporation Retirement Plan for Non-Bargaining Employees," "Entergy Corporation Retirement Plan for Bargaining Employees," "Entergy Corporation Retirement Plan II for Non-Bargaining Employees," "Entergy Corporation Retirement Plan II for Bargaining Employees," "Entergy Corporation Retirement Plan III," "Entergy Corporation Retirement Plan IV for Non-Bargaining Employees," and "Entergy Corporation Retirement Plan IV for Bargaining Employees." The Registrant Subsidiaries participate in two of these plans: "Entergy Corporation Retirement Plan for Non-Bargaining Employees" and "Entergy Corporation Retirement Plan for Bargaining Employees." Except for the Entergy Corporation Retirement Plan III, the pension plans are noncontributory and provide pension benefits that are based on employees' credited service and compensation during the final years before retirement. The Entergy Corporation Retirement Plan III includes a mandatory employee contribution of 3% of earnings during the first 10 years of plan participation, and allows voluntary contributions from 1% to 10% of earnings for a limited group of employees.

Entergy Corporation and its subsidiaries fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income securities, interest in a money market fund, and insurance contracts. The Registrant Subsidiaries' pension costs are recovered from customers as a component of cost of service in each of their jurisdictions. Entergy uses a December 31 measurement date for its pension plans.

In September 2006, FASB issued SFAS 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132(R)," to be effective December 31, 2006. SFAS 158 requires an employer to recognize in its balance sheet the funded status of its benefit plans. This is measured as the difference between plan assets at fair value and the benefit obligation. Employers are to record previously unrecognized gains and losses, prior service costs, and the remaining transition asset or obligation as a result of adopting SFAS 87 and SFAS 106 as other comprehensive income (OCI) and/or as a regulatory asset reflective of the recovery mechanism for pension and OPEB costs in the Utility's jurisdictions. For the portion of Entergy Gulf States Louisiana that is not regulated, the unrecognized prior service cost, gains and losses, and transition asset/obligation for its pension and other postretirement benefit obligations are recorded as other comprehensive income. Entergy Gulf States Louisiana and Entergy Louisiana recover other postretirement benefits costs on a pay as you go basis and will record the unrecognized prior service cost, gains and losses, and transition obligation for its other postretirement benefit obligation as other comprehensive income. SFAS 158 also requires that changes in the funded status be recorded as other comprehensive income and/or a regulatory asset in the period in which the changes occur.

COMPONENTS OF QUALIFIED NET PENSION COST AND OTHER AMOUNTS RECOGNIZED AS A REGULATORY ASSET AND/OR OTHER COMPREHENSIVE INCOME (OCI)

Entergy Corporation's and its subsidiaries' total 2007, 2006, and 2005 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components (in thousands):

| | 2007 | 2006 | 2005 |
|--|-------------------|-------------------|-------------------|
| Net periodic pension cost: | | | |
| Service cost - benefits earned during the period | \$ 96,565 | \$ 92,706 | \$ 82,520 |
| Interest cost on projected benefit obligation | 185,170 | 167,257 | 155,477 |
| Expected return on assets | (203,521) | (177,930) | (159,544) |
| Amortization of transition asset | - | - | (662) |
| Amortization of prior service cost | 5,531 | 5,462 | 4,863 |
| Recognized net loss | 45,775 | 43,721 | 35,604 |
| Curtailment loss | 2,336 | - | - |
| Special termination benefit loss | 4,018 | - | - |
| Net periodic pension costs | \$ 135,874 | \$ 131,216 | \$ 118,258 |

Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or OCI (before tax)

| | | | |
|---|--------------------|--|--|
| Arising this period: | | | |
| Prior service cost | \$ 11,339 | | |
| Net gain | (68,853) | | |
| Amounts reclassified from regulatory asset and/or accumulated OCI to net periodic pension cost in the current year: | | | |
| Amortization of prior service credit | (5,531) | | |
| Amortization of net gain | (45,775) | | |
| Total | \$(108,820) | | |

Total recognized as net periodic pension cost, regulatory asset, and/or OCI (before tax)

| | | | |
|---|-----------|-----------|--|
| | \$ 27,054 | | |
| Estimated amortization amounts from the regulatory asset and/or accumulated OCI to net periodic cost in the following year | | | |
| Prior service cost | \$ 5,064 | \$ 5,531 | |
| Net loss | \$ 25,641 | \$ 44,316 | |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

QUALIFIED PENSION OBLIGATIONS, PLAN ASSETS, FUNDED STATUS, AND AMOUNTS RECOGNIZED IN THE BALANCE SHEET FOR ENTERGY CORPORATION AND ITS SUBSIDIARIES AS OF DECEMBER 31, 2007 AND 2006 (IN THOUSANDS):

| | 2007 | 2006 |
|---|-------------|-------------|
| Change in Projected Benefit Obligation (PBO) | | |
| Balance at beginning of year | \$3,122,043 | \$2,894,008 |
| Service cost | 96,565 | 92,706 |
| Interest cost | 185,170 | 167,257 |
| Acquisitions and amendments | 52,142 | - |
| Curtailements | 2,603 | - |
| Special termination benefits | 4,018 | - |
| Actuarial (gain)/loss | (81,757) | 4,372 |
| Employee contributions | 971 | 1,003 |
| Benefits paid | (134,031) | (123,272) |
| Balance at end of year | \$3,247,724 | \$3,036,074 |

| | | |
|---|-------------|-------------|
| Change in Plan Assets | | |
| Fair value of assets at beginning of year | \$2,508,354 | \$1,994,879 |
| Actual return on plan assets | 190,616 | 270,976 |
| Employer contributions | 176,742 | 318,470 |
| Employee contributions | 971 | 1,003 |
| Acquisition | 21,731 | - |
| Benefits paid | (134,031) | (123,272) |
| Fair value of assets at end of year | \$2,764,383 | \$2,462,056 |

| | | |
|----------------------|---------------------|---------------------|
| Funded status | \$ (483,341) | \$ (574,018) |
|----------------------|---------------------|---------------------|

| | | |
|--|--------------|--------------|
| Amount recognized in the balance sheet (funded status under SFAS 158) | | |
| Non-current liabilities | \$ (483,341) | \$ (574,018) |

| | | |
|--|-------------------|-------------------|
| Amount recognized as a regulatory asset | | |
| Prior service cost | \$ 16,564 | \$ 14,388 |
| Net loss | 436,789 | 498,502 |
| | \$ 453,353 | \$ 512,890 |

| | | |
|--|------------------|------------------|
| Amount recognized as OCI (before tax) | | |
| Prior service cost | \$ 2,649 | \$ 9,544 |
| Net loss | 69,581 | 82,378 |
| | \$ 72,230 | \$ 91,922 |

OTHER POSTRETIREMENT BENEFITS

Entergy also currently provides health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for Entergy. Entergy uses a December 31 measurement date for its postretirement benefit plans.

Effective January 1, 1993, Entergy adopted SFAS 106, which required a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. At January 1, 1993, the actuarially determined accumulated postretirement benefit obligation (APBO) earned by retirees and active employees was estimated to be approximately \$241.4 million for Entergy (other than the former Entergy Gulf States) and \$128 million for Entergy Gulf States, Inc. (now split into Entergy Gulf States Louisiana and Entergy Texas.) Such obligations are being amortized over a 20-year period that began in 1993. For the most part, the Utility recovers SFAS 106 costs from customers and is required to contribute postretirement benefits collected in rates to an external trust.

Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Texas have received regulatory approval to recover SFAS 106 costs through rates. Entergy Arkansas began recovery in 1998, pursuant to an APSC order. This order also allowed Entergy Arkansas to amortize a regulatory asset (representing the difference between SFAS 106 costs and cash expenditures for other postretirement benefits incurred for a five-year period that began January 1, 1993) over a 15-year period that began in January 1998.

The LPSC ordered Entergy Gulf States Louisiana and Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. However, the LPSC retains the flexibility to examine individual companies' accounting for postretirement benefits to determine if special exceptions to this order are warranted.

Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy contribute the postretirement benefit obligations collected in rates to trusts. System Energy is funding, on behalf of Entergy Operations, postretirement benefits associated with Grand Gulf.

COMPONENTS OF NET OTHER POSTRETIREMENT BENEFIT COST AND OTHER AMOUNTS RECOGNIZED AS A REGULATORY ASSET AND/OR OTHER COMPREHENSIVE INCOME (OCI)

Entergy Corporation's and its subsidiaries' total 2007, 2006, and 2005 other postretirement benefit costs, including amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components (in thousands):

| | 2007 | 2006 | 2005 |
|--|------------------|------------------|------------------|
| Other postretirement costs: | | | |
| Service cost - benefits earned during the period | \$ 44,137 | \$ 41,480 | \$ 37,310 |
| Interest cost on APBO | 63,231 | 57,263 | 51,883 |
| Expected return on assets | (25,298) | (19,024) | (17,402) |
| Amortization of transition obligation | 3,831 | 2,169 | 3,368 |
| Amortization of prior service cost | (15,836) | (14,751) | (13,738) |
| Recognized net loss | 18,972 | 22,789 | 22,295 |
| Special termination benefits | 603 | - | - |
| Net other postretirement benefit cost | \$ 89,640 | \$ 89,926 | \$ 83,716 |

Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or OCI (before tax)

Arising this period:

| | |
|---------------------------------|------------|
| Prior service credit for period | \$ (3,520) |
| Net gain | (15,013) |

Amounts reclassified from regulatory asset and/or accumulated OCI to net periodic pension cost in the current year:

| | |
|---------------------------------------|----------|
| Amortization of transition obligation | (3,831) |
| Amortization of prior service cost | 15,836 |
| Amortization of net loss | (18,972) |

| | |
|--------------|-------------------|
| Total | \$(25,500) |
|--------------|-------------------|

Total recognized as net periodic other postretirement cost, regulatory asset, and/or OCI (before tax)

\$ 64,140

Estimated amortization amounts from regulatory asset and/or accumulated OCI to net periodic cost in the following year

| | | |
|-----------------------|------------|------------|
| Transition obligation | \$ 3,831 | \$ 3,831 |
| Prior service cost | \$(16,417) | \$(15,837) |
| Net loss | \$ 15,676 | \$ 18,974 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

OTHER POSTRETIREMENT BENEFIT OBLIGATIONS, PLAN ASSETS, FUNDED STATUS, AND AMOUNTS RECOGNIZED IN THE BALANCE SHEET OF ENTERGY CORPORATION AND ITS SUBSIDIARIES AS OF DECEMBER 31, 2007 AND 2006 (IN THOUSANDS):

| | 2007 | 2006 |
|--|---------------------|---------------------|
| Change in APBO | | |
| Balance at beginning of year | \$1,074,559 | \$ 997,969 |
| Service cost | 44,137 | 41,480 |
| Interest cost | 63,231 | 57,263 |
| Acquisition | 11,336 | - |
| Plan amendments | (3,520) | (10,708) |
| Special termination benefits | 603 | - |
| Plan participant contributions | 11,384 | 6,904 |
| Actuarial gain | (19,997) | (17,838) |
| Benefits paid | (56,719) | (62,314) |
| Medicare Part D subsidy received | 4,617 | 1,610 |
| Balance at end of year | \$1,129,631 | \$1,014,366 |
| Change in Plan Assets | | |
| Fair value of assets at beginning of year | \$ 314,326 | \$ 234,516 |
| Actual return on plan assets | 20,314 | 27,912 |
| Employer contributions | 56,300 | 64,058 |
| Plan participant contributions | 11,384 | 6,904 |
| Acquisition | 5,114 | - |
| Benefits paid | (56,719) | (60,700) |
| Fair value of assets at end of year | \$ 350,719 | \$ 272,690 |
| Funded status | \$ (778,912) | \$ (741,676) |
| Amounts recognized in the balance sheet (SFAS 158) | | |
| Current liabilities | \$ (28,859) | \$ (27,372) |
| Non-current liabilities | (750,053) | (714,304) |
| Total funded status | \$ (778,912) | \$ (741,676) |
| Amounts recognized as a regulatory asset (before tax) | | |
| Transition obligation | \$ 12,435 | \$ 8,686 |
| Prior service cost | (30,833) | (9,263) |
| Net loss | 224,532 | 195,567 |
| | \$ 206,134 | \$ 194,990 |
| Amounts recognized as OCI (before tax) | | |
| Transition obligation | \$ 6,709 | \$ 4,321 |
| Prior service cost | (16,634) | (52,799) |
| Net loss | 112,692 | 158,166 |
| | \$ 102,767 | \$ 109,688 |

Qualified Pension and Other Postretirement Plans' Assets

Entertry's qualified pension and postretirement plans' weighted-average asset allocations by asset category at December 31, 2007 and 2006 are as follows:

| | Qualified Pension | | Postretirement | |
|---------------------------------|-------------------|------|----------------|------|
| | 2007 | 2006 | 2007 | 2006 |
| Domestic Equity Securities | 44% | 43% | 37% | 37% |
| International Equity Securities | 20% | 21% | 14% | 14% |
| Fixed-Income Securities | 34% | 34% | 49% | 49% |
| Other | 2% | 2% | -% | -% |

The Plan Administrator's trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets (plus cash contributions) provide adequate funding for retiree benefit payments. The mix of assets is based on an optimization study that

identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense.

In the optimization study, the Plan Administrator formulates assumptions about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes. The future market assumptions used in the optimization study are determined by examining historical market characteristics of the various asset classes, and making adjustments to reflect future conditions expected to prevail over the study period.

The optimization analysis utilized in the Plan Administrator's latest study produced the following approved asset class target allocations.

| | Pension | Postretirement |
|--|---------|----------------|
| Domestic Equity Securities | 45% | 37% |
| International Equity Securities | 20% | 14% |
| Fixed-Income Securities | 31% | 49% |
| Other (Cash and Group Annuity Contracts) | 4% | -% |

These allocation percentages combined with each asset class' expected investment return produced an aggregate return expectation for the five years following the study of 7.6% for pension assets, 5.4% for taxable postretirement assets, and 7.2% for non-taxable postretirement assets.

The expected long term rate of return of 8.50% for the qualified Retirement Plans assets is based on the expected long-term return of each asset class, weighted by the target allocation for each class as defined in the table above. The source for each asset class' expected long-term rate of return is the geometric mean of the respective asset class total return. The time period reflected in the total returns is a long dated period spanning several decades.

The expected long term rate of return of 8.50% for the non-taxable VEBA trust assets is based on the expected long-term return of each asset class, weighted by the target allocation for each class as defined in the table above. The source for each asset class' expected long-term rate of return is the geometric mean of the respective asset class' total return. The time period reflected in the total returns is a long dated period spanning several decades.

For the taxable VEBA trust assets the allocation has a high percentage of tax-exempt fixed income securities. The tax-exempt fixed income long-term total return was estimated using total return data from the 2007 *Economic Report of the President*. The time period reflected in the tax-exempt fixed income total return is 1929 to 2006. After reflecting the tax-exempt fixed income percentage and unrelated business income tax, the long-term rate of return for taxable VEBA trust assets is expected to be 6.0%.

Since precise allocation targets are inefficient to manage security investments, the following ranges were established to produce an acceptable economically efficient plan to manage to targets:

| | Pension | Postretirement |
|---------------------------------|------------|----------------|
| Domestic Equity Securities | 45% to 55% | 32% to 42% |
| International Equity Securities | 15% to 25% | 9% to 19% |
| Fixed-Income Securities | 25% to 35% | 44% to 54% |
| Other | 0% to 10% | 0% to 5% |

ACCUMULATED PENSION BENEFIT OBLIGATION

The accumulated benefit obligation for Entertry's qualified pension plans was \$2.8 billion and \$2.7 billion at December 31, 2007 and 2006, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

ESTIMATED FUTURE BENEFIT PAYMENTS

Based upon the assumptions used to measure Entergy's qualified pension and postretirement benefit obligation at December 31, 2007, and including pension and postretirement benefits attributable to estimated future employee service, Entergy expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for Entergy Corporation and its subsidiaries will be as follows (in thousands):

| | Estimated Future Benefits Payments | | | Estimated Future Medicare Subsidy Receipts |
|-------------|------------------------------------|-----------------------|--|--|
| | Qualified Pension | Non-Qualified Pension | Postretirement (before Medicare Subsidy) | |
| 2008 | \$ 138,942 | \$ 5,936 | \$ 66,419 | \$ 5,109 |
| 2009 | \$ 144,468 | \$ 6,252 | \$ 70,153 | \$ 5,726 |
| 2010 | \$ 150,929 | \$ 6,245 | \$ 74,885 | \$ 6,311 |
| 2011 | \$ 159,494 | \$ 4,901 | \$ 79,181 | \$ 6,979 |
| 2012 | \$ 171,302 | \$ 4,889 | \$ 82,860 | \$ 7,725 |
| 2013 - 2017 | \$1,090,132 | \$25,174 | \$ 481,994 | \$50,819 |

CONTRIBUTIONS

Entergy Corporation and its subsidiaries expect to contribute \$226 million (excluding about \$1 million in employee contributions) to the qualified pension plans and \$69.6 million to its other postretirement plans in 2008. Guidance pursuant to the Pension Protection Act of 2006 rules, effective for the 2008 plan year and beyond, may affect the level of Entergy's pension contributions in the future.

ACTUARIAL ASSUMPTIONS

The assumed health care cost trend rate used in measuring the APBO of Entergy was 9% for 2008, gradually decreasing each successive year until it reaches 4.75% in 2013 and beyond. The assumed health care cost trend rate used in measuring the Net Other Postretirement Benefit Cost of Entergy was 10% for 2007, gradually decreasing each successive year until it reaches 4.5% in 2012 and beyond. A one percentage point change in the assumed health care cost trend rate for 2007 would have the following effects (in thousands):

| | 1 Percentage Point Increase | | 1 Percentage Point Decrease | |
|--|-----------------------------|--|-----------------------------|--|
| | Impact on the APBO | Impact on the sum of service costs and interest cost | Impact on the APBO | Impact on the sum of service costs and interest cost |
| 2007 | | | | |
| Entergy Corporation and its Subsidiaries | \$115,169 | \$14,854 | \$(102,675) | \$(12,656) |

The significant actuarial assumptions used in determining the pension PBO and the SFAS 106 APBO as of December 31, 2007, and 2006 were as follows:

| | 2007 | 2006 |
|---|-------|-------|
| Weighted-average discount rate: | | |
| Pension | 6.50% | 6.00% |
| Other postretirement | 6.50% | 6.00% |
| Weighted-average rate of increase in future compensation levels | 4.23% | 3.25% |

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2007, 2006, and 2005 were as follows:

| | 2007 | 2006 | 2005 |
|---|-------|-------|-------|
| Weighted-average discount rate: | | | |
| Pension | 6.00% | 5.90% | 6.00% |
| Other postretirement | 6.00% | 5.90% | 6.00% |
| Weighted-average rate of increase in future compensation levels | 3.25% | 3.25% | 3.25% |
| Expected long-term rate of return on plan assets: | | | |
| Taxable assets | 5.50% | 5.50% | 5.50% |
| Non-taxable assets | 8.50% | 8.50% | 8.50% |

Entergy's remaining pension transition assets were being amortized over the greater of the remaining service period of active participants or 15 years which ended in 2005, and its SFAS 106 transition obligations are being amortized over 20 years ending in 2012.

MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003

In December 2003, the President signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 into law. The Act introduces a prescription drug benefit cost under Medicare (Part D), which started in 2006, as well as a federal subsidy to employers who provide a retiree prescription drug benefit that is at least actuarially equivalent to Medicare Part D.

The actuarially estimated effect of future Medicare subsidies reduced the December 31, 2007 and 2006 Accumulated Postretirement Benefit Obligation by \$182 million and \$183 million, respectively, and reduced the 2007, 2006, and 2005 other postretirement benefit cost by \$26.5 million, \$29.3 million, and \$24.3 million, respectively. In 2007, Entergy received \$4.6 million in Medicare subsidies for prescription drug claims through June 2007.

NON-QUALIFIED PENSION PLANS

Entergy also sponsors non-qualified, non-contributory defined benefit pension plans that provide benefits to certain executives. Entergy recognized net periodic pension cost related to these plans of \$20.6 million in 2007, \$21 million in 2006, and \$16.4 million in 2005. The projected benefit obligation was \$134.5 million and \$137 million as of December 31, 2007 and 2006, respectively. There are \$0.2 million in plan assets for a pre-merger Entergy Gulf States Louisiana plan. The accumulated benefit obligation was \$118 million and \$127 million as of December 31, 2007 and 2006, respectively.

After the application of SFAS 158, Entergy's non-qualified, non-current pension liability at December 31, 2007 and 2006 was \$128.4 million and \$122.2 million, respectively; and its current liability was \$5.9 million and \$14.5 million, respectively. The unamortized transition asset, prior service cost and net loss are recognized in regulatory assets (\$43.9 million at December 31, 2007 and \$50.8 million at December 31, 2006) and accumulated other comprehensive income before taxes (\$17.4 million at December 31, 2007 and \$15.8 million at December 31, 2006).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DEFINED CONTRIBUTION PLANS

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (System Savings Plan). The System Savings Plan is a defined contribution plan covering eligible employees of Entergy and its subsidiaries. The employing Entergy subsidiary makes matching contributions for all non-bargaining and certain bargaining employees to the System Savings Plan in an amount equal to 70% of the participants' basic contributions, up to 6% of their eligible earnings per pay period. The 70% match is allocated to investments as directed by the employee.

Entergy also sponsors the Savings Plan of Entergy Corporation and Subsidiaries II (established in 2001), the Savings Plan of Entergy Corporation and Subsidiaries IV (established in 2002), the Savings Plan of Entergy Corporation and Subsidiaries VI (established in April 2007), and the Savings Plan of Entergy Corporation and Subsidiaries VII (established in April 2007) to which matching contributions are also made. The plans are defined contribution plans that cover eligible employees, as defined by each plan, of Entergy and its subsidiaries.

The Savings Plan of Entergy Corporation and Subsidiaries VI covers eligible non-bargaining employees transferred from Palisades effective with the closing of the purchase of Palisades in April 2007. The Savings Plan of Entergy Corporation and Subsidiaries VII covers certain eligible bargaining unit employees of Palisades effective with the closing of the purchase of Palisades in April 2007.

Entergy's subsidiaries' contributions to defined contribution plans collectively were \$36.6 million in 2007, \$31.4 million in 2006, and \$33.8 million in 2005. The majority of the contributions were to the System Savings Plan.

NOTE 12. STOCK-BASED COMPENSATION

Entergy grants stock options and long-term incentive and restricted liability awards to key employees of the Entergy subsidiaries under its Equity Ownership Plans which are shareholder-approved stock-based compensation plans. The Equity Ownership Plan, as restated in February 2003 (2003 Plan), had 806,621 authorized shares remaining for long-term incentive and restricted liability awards as of December 31, 2007. At the May 2006 annual meeting of shareholders, Entergy's shareholders approved the 2007 Equity Ownership and Long-Term Cash Incentive Plan (2007 Plan) effective January 1, 2007. The maximum aggregate number of common shares that can be issued from the 2007 Plan for stock-based awards is 7,000,000 with no more than 2,000,000 available for non-option grants. The 2007 Plan, which only applies to awards made on or after January 1, 2007, will expire after 10 years. As of December 31, 2007, there were 5,182,380 authorized shares remaining for stock-based awards, including 2,000,000 for non-option grants.

STOCK OPTIONS

Stock options are granted at exercise prices that equal the closing market price of Entergy Corporation common stock on the date of grant. Generally, stock options granted will become exercisable in equal amounts on each of the first three anniversaries of the date of grant. Unless they are forfeited previously under the terms of the grant, options expire ten years after the date of the grant if they are not exercised.

The following table includes financial information for stock options for each of the years presented:

| | 2007 | 2006 | 2005 |
|---|--------|--------|--------|
| Compensation expense included in Entergy's net income | \$15.0 | \$11.0 | \$13.0 |
| Tax benefit recognized in Entergy's net income | \$ 6.0 | \$ 4.0 | \$ 5.0 |
| Compensation cost capitalized as part of fixed assets and inventory | \$ 3.0 | \$ 2.0 | \$ 2.0 |

Entergy determines the fair value of the stock option grants made in 2007, 2006, and 2005 by considering factors such as lack of marketability, stock retention requirements, and regulatory restrictions on exercisability. The fair value valuations comply with SFAS 123R, "Share-Based Payment," which was issued in December 2004 and became effective in the first quarter 2006. The stock option weighted-average assumptions used in determining the fair values are as follows:

| | 2007 | 2006 | 2005 |
|-------------------------|--------|--------|--------|
| Stock price volatility | 17.0% | 18.7% | 18.8% |
| Expected term in years | 4.59 | 3.9 | 3 |
| Risk-free interest rate | 4.85% | 4.4% | 3.6% |
| Dividend yield | 3.0% | 3.2% | 3.1% |
| Dividend payment | \$2.16 | \$2.16 | \$2.16 |

Stock price volatility is calculated based upon the weekly public stock price volatility of Entergy Corporation common stock over the last four to five years. The expected term of the options is based upon historical option exercises and the weighted average life of options when exercised and the estimated weighted average life of all vested but unexercised options. Options held by certain management level employees include a restriction that requires 75% of the after-tax net profit upon exercise of the option to be held in Entergy Corporation common stock until the earlier of five years or termination of employment. The reduction in fair value of the stock options is based upon an estimate of the call option value of the reinvested gain discounted to present value over the five year reinvestment period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

A summary of stock option activity for the year ended December 31, 2007 and changes during the year are presented below:

| | Number of Options | Weighted-Average Exercise Price | Aggregate Intrinsic Value | Weighted-Average Contractual Life |
|---|-------------------|------------------------------------|------------------------------|--------------------------------------|
| Options outstanding at January 1, 2007 | 10,802,923 | \$51.16 | | |
| Options granted | 1,854,900 | \$91.82 | | |
| Options exercised | (1,969,765) | \$48.37 | | |
| Options forfeited/expired | (156,627) | \$74.21 | | |
| Options outstanding at December 31, 2007 | 10,531,431 | \$58.50 | \$643 million | 5.9 years |
| Options exercisable at December 31, 2007 | 7,193,806 | \$47.92 | \$515 million | 4.8 years |
| Weighted-average grant-date fair value of options granted during 2007 | \$14.15 | | | |

The weighted-average grant-date fair value of options granted during the year was \$9.21 for 2006 and \$8.17 for 2005. The total intrinsic value of stock options exercised was \$116.7 million during 2007, \$65 million during 2006, and \$100 million during 2005. The intrinsic value, which has no effect on net income, of the stock options exercised is calculated by the difference in Entergy's Corporation common stock price on the date of exercise and the exercise price of the stock options granted. With the adoption of the fair value method of SFAS 123 and the application of SFAS 123R, Entergy recognizes compensation cost over the vesting period of the options based on their grant-date fair value. The total fair value of options that vested was approximately \$15 million during 2007, \$15 million during 2006, and \$28 million during 2005.

The following table summarizes information about stock options outstanding as of December 31, 2007:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|--------------------------|---------------------|---|------------------------------------|-------------------------------------|------------------------------------|
| | As of 12/31/2007 | Weighted- Average Remaining Contractual Life-Yrs. | Weighted-Average Exercise Price | Number Exercisable at 12/31/2007 | Weighted-Average Exercise Price |
| \$23 - \$36.99 | 880,777 | 2.2 | \$25.61 | 880,777 | \$25.61 |
| \$37 - \$50.99 | 3,672,508 | 4.1 | \$41.39 | 3,672,508 | \$41.39 |
| \$51 - \$64.99 | 1,224,627 | 5.9 | \$58.21 | 1,224,627 | \$58.21 |
| \$65 - \$78.99 | 2,938,821 | 7.5 | \$69.30 | 1,391,996 | \$69.49 |
| \$79 - \$91.82 | 1,814,698 | 9.1 | \$91.81 | 23,898 | \$91.14 |
| \$23 - \$91.82 | 10,531,431 | 5.9 | \$58.50 | 7,193,806 | \$47.92 |

Stock-based compensation cost related to non-vested stock options outstanding as of December 31, 2007 not yet recognized is approximately \$23 million and is expected to be recognized on a weighted-average period of 1.8 years.

LONG-TERM INCENTIVE AWARDS

Entergy grants long-term incentive awards earned under its stock benefit plans in the form of performance units, which are equal to the cash value of shares of Entergy Corporation common stock at the end of the performance period, which is the last trading day of the year. Performance units will pay out to the extent that the performance conditions are satisfied. In addition to the potential for equivalent share appreciation or depreciation, performance units will earn the cash equivalent of the dividends paid during the three-year performance period applicable to each plan. The costs of incentive awards are charged to income over the three-year period.

The following table includes financial information for the long-term incentive awards for each of the years presented (in millions):

| | 2007 | 2006 | 2005 |
|---|------|------|------|
| Fair value of long-term incentive awards at December 31, | \$54 | \$37 | \$34 |
| Compensation expense included in Entergy's net income for the year | \$35 | \$22 | \$16 |
| Tax benefit recognized in Entergy's net income for the year | \$14 | \$ 8 | \$ 6 |
| Compensation cost capitalized as part of fixed assets and inventory | \$ 6 | \$ 3 | \$ 2 |

Entergy paid \$20.5 million in 2007 for awards earned under the Long-Term Incentive Plan. The distribution is applicable to the 2004 - 2006 performance period.

RESTRICTED AWARDS

Entergy grants restricted awards earned under its stock benefit plans in the form of stock units that are subject to time-based restrictions. The restricted units are equal to the cash value of shares of Entergy Corporation common stock at the time of vesting. The costs of restricted awards are charged to income over the restricted period, which varies from grant to grant. The average vesting period for restricted awards granted is 52 months. As of December 31, 2007, there were 161,012 unvested restricted units that are expected to vest over an average period of 29 months.

The following table includes financial information for restricted awards for each of the years presented (in millions):

| | 2007 | 2006 | 2005 |
|---|--------|-------|-------|
| Fair value of restricted awards at December 31, | \$11.2 | \$3.6 | \$ - |
| Compensation expense included in Entergy's net income for the year | \$ 6.5 | \$3.1 | \$3.5 |
| Tax benefit recognized in Entergy's net income for the year | \$ 2.5 | \$1.2 | \$1.4 |
| Compensation cost capitalized as part of fixed assets and inventory | \$ 1.1 | \$0.5 | \$ - |

Entergy made no payments in 2007 for awards earned under the Restricted Awards Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTE 13. BUSINESS SEGMENT INFORMATION

Entergy's reportable segments as of December 31, 2007 are Utility and Non-Utility Nuclear. Utility generates, transmits, distributes, and sells electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and provides natural gas utility service in portions of Louisiana. Non-Utility Nuclear owns and operates six nuclear power plants and is primarily focused on selling electric power produced by those plants to wholesale customers. "All Other" includes the parent company, Entergy Corporation, and other business activity, including the Energy Commodity Services segment, the Competitive Retail Services business, and earnings on the proceeds of sales of previously-owned businesses. As a result of the Entergy New Orleans bankruptcy filing, Entergy discontinued the consolidation of Entergy New Orleans retroactive to January 1, 2005, and reported Entergy New Orleans results under the equity method of accounting in the Utility segment in 2006 and 2005. On May 7, 2007, the bankruptcy judge entered an order confirming Entergy New Orleans' plan of reorganization. With confirmation of the plan of reorganization, Entergy reconsolidated Entergy New Orleans in the second quarter 2007, retroactive to January 1, 2007.

Entergy's segment financial information is as follows (in thousands):

| | Utility | Non-Utility Nuclear* | All Other* | Eliminations | Consolidated |
|--|--------------|-------------------------|------------|--------------|---------------|
| 2007 | | | | | |
| Operating revenues | \$ 9,255,075 | \$ 2,029,666 | \$ 225,216 | \$ (25,559) | \$ 11,484,398 |
| Deprec., amort. & decomm. | 939,152 | 177,872 | 14,586 | - | 1,131,610 |
| Interest and dividend income | 124,992 | 102,840 | 88,066 | (81,901) | 233,997 |
| Equity in earnings of unconsolidated equity affiliates | (2) | - | 3,178 | - | 3,176 |
| Interest and other charges | 444,067 | 34,738 | 265,253 | (81,901) | 662,157 |
| Income tax (benefits) | 382,025 | 230,407 | (98,015) | - | 514,417 |
| Net income (loss) | 682,707 | 539,200 | (87,058) | - | 1,134,849 |
| Total assets | 26,174,159 | 7,014,484 | 1,982,429 | (1,528,070) | 33,643,002 |
| Investment in affiliates - at equity | 202 | - | 78,790 | - | 78,992 |
| Cash paid for long-lived asset additions | 1,315,564 | 258,457 | 2,754 | 1,255 | 1,578,030 |
| 2006 | | | | | |
| Operating revenues | \$ 9,150,030 | \$ 1,544,873 | \$ 275,299 | \$ (38,044) | \$ 10,932,158 |
| Deprec., amort. & decomm. | 886,537 | 134,661 | 12,478 | - | 1,033,676 |
| Interest and dividend income | 112,887 | 83,155 | 95,985 | (93,192) | 198,835 |
| Equity in earnings of unconsolidated equity affiliates | 4,058 | - | 89,686 | - | 93,744 |
| Interest and other charges | 428,662 | 47,424 | 194,911 | (93,192) | 577,805 |
| Income tax (benefits) | 333,105 | 204,659 | (94,720) | - | 443,044 |
| Loss from discontinued operations | - | - | (496) | - | (496) |
| Net income | 691,160 | 309,496 | 131,894 | 52 | 1,132,602 |
| Total assets | 25,238,359 | 5,369,730 | 2,866,377 | (2,391,735) | 31,082,731 |
| Investment in affiliates - at equity | 154,193 | - | 209,033 | (134,137) | 229,089 |
| Cash paid for long-lived asset additions | 1,306,387 | 302,865 | 23,034 | 982 | 1,633,268 |
| 2005 | | | | | |
| Operating revenues | \$ 8,526,943 | \$ 1,421,547 | \$ 237,735 | \$ (79,978) | \$ 10,106,247 |
| Deprec., amort. & decomm. | 867,755 | 117,752 | 13,991 | - | 999,498 |
| Interest and dividend income | 75,748 | 66,836 | 78,185 | (70,290) | 150,479 |
| Equity in earnings of unconsolidated equity affiliates | 765 | - | 220 | - | 985 |
| Interest and other charges | 386,672 | 50,874 | 133,777 | (70,292) | 501,031 |
| Income tax (benefits) | 405,662 | 163,865 | (10,243) | - | 559,284 |
| Loss from discontinued operations | - | - | (44,794) | - | (44,794) |
| Net income (loss) | 659,760 | 282,623 | (44,019) | (33) | 898,331 |
| Total assets | 25,248,820 | 4,887,572 | 3,477,169 | (2,755,904) | 30,857,657 |
| Investment in affiliates - at equity | 150,135 | - | 428,006 | (281,357) | 296,784 |
| Cash paid for long-lived asset additions | 1,285,012 | 160,899 | 11,230 | 945 | 1,458,086 |

Businesses marked with * are sometimes referred to as the "competitive businesses," with the exception of the parent company, Entergy Corporation. Eliminations are primarily intersegment activity. Almost all of Entergy's goodwill is related to the Utility segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Earnings were negatively affected in the fourth quarter 2007 by expenses of \$22.2 million (\$13.6 million net-of-tax) for Utility and \$29.9 million (\$18.4 million net-of-tax) for Non-Utility Nuclear recorded in connection with a nuclear operations fleet alignment. This process was undertaken with the goals of eliminating redundancies, capturing economies of scale, and clearly establishing organizational governance. Most of the expenses related to the voluntary severance program offered to employees. Approximately 200 employees from the Non-Utility Nuclear business and 150 employees in the Utility business accepted the voluntary severance program offers.

In the fourth quarter 2005, Entergy decided to divest the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas. Due to this planned divestiture, activity from this business is reported as discontinued operations in the Consolidated Statements of Income. In connection with the planned sale, an impairment reserve of \$39.8 million (\$25.8 million net-of-tax) was recorded for the remaining net book value of the Competitive Retail Services business' information technology systems.

Revenues and pre-tax income (loss) related to the Competitive Retail Services business' discontinued operations were as follows (in thousands):

| | 2007 | 2006 | 2005 |
|-----------------------|------|-----------|------------|
| Operating revenues | \$- | \$134,444 | \$654,333 |
| Pre-tax income (loss) | \$- | \$ (429) | \$(68,854) |

There were no assets or liabilities related to the Competitive Retail Services business' discontinued operations as of December 31, 2007 and 2006.

GEOGRAPHIC AREAS

For the year ended December 31, 2007, Entergy derived none of its revenue from outside of the United States. For the years ended December 31, 2006 and 2005, Entergy derived less than 1% of its revenue from outside of the United States.

As of December 31, 2007 and 2006, Entergy had no long-lived assets located outside of the United States.

NOTE 14. EQUITY METHOD INVESTMENTS

As of December 31, 2007, Entergy owns investments in the following companies that it accounts for under the equity method of accounting:

| Company | Ownership | Description |
|------------------|--------------------------|---|
| Entergy-Koch, LP | 50% partnership interest | Entergy-Koch was in the energy commodity marketing and trading business and gas transportation and storage business until the fourth quarter of 2004 when these businesses were sold. |
| RS Cogen LLC | 50% member interest | Co-generation project that produces power and steam on an industrial and merchant basis in the Lake Charles, Louisiana area. |
| Top Deer | 50% member interest | Wind-powered electric generation joint venture. |

Following is a reconciliation of Entergy's investments in equity affiliates (in thousands):

| | 2007 | 2006 | 2005 |
|------------------------------------|-----------|-----------|-----------|
| Beginning of year | \$229,089 | \$296,784 | \$231,779 |
| Entergy New Orleans ^(a) | (153,988) | - | 154,462 |
| Income from the investments | 3,176 | 93,744 | 985 |
| Distributions received | - | (163,697) | (80,901) |
| Dispositions and other adjustments | 715 | 2,258 | (9,541) |
| End of year | \$ 78,992 | \$229,089 | \$296,784 |

(a) As a result of Entergy New Orleans' bankruptcy filing in September 2005, Entergy deconsolidated Entergy New Orleans and reflected Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. In May 2007, with confirmation of the plan of reorganization, Entergy reconsolidated Entergy New Orleans retroactive to January 1, 2007 and no longer accounts for Entergy New Orleans under the equity method of accounting. See Note 18 to the financial statements for further discussion of the bankruptcy proceeding.

The following is a summary of combined financial information reported by Entergy's equity method investees (in thousands):

| | 2007 | 2006 ⁽¹⁾ | 2005 ⁽¹⁾ |
|-------------------------------|-----------|---------------------------|---------------------|
| Income Statement Items | | | |
| Operating revenues | \$ 65,600 | \$ 632,820 | \$721,410 |
| Operating income | \$ 22,606 | \$ 27,452 | \$ 9,526 |
| Net income | \$ 6,257 | \$ 212,210 ⁽²⁾ | \$ 1,592 |
| Balance Sheet Items | | | |
| Current assets | \$ 96,624 | \$ 262,506 | |
| Noncurrent assets | \$372,421 | \$1,163,392 | |
| Current liabilities | \$ 92,423 | \$ 389,526 | |
| Noncurrent liabilities | \$229,037 | \$ 722,524 | |

(1) Includes financial information for Entergy New Orleans which was accounted for under the equity method of accounting in 2006 and 2005.

(2) Includes gains recorded by Entergy-Koch on the sales of its energy trading and pipeline businesses.

RELATED-PARTY TRANSACTIONS AND GUARANTEES

See Note 18 to the financial statements for a discussion of the Entergy New Orleans bankruptcy proceedings and activity between Entergy and Entergy New Orleans.

Entergy Louisiana and Entergy New Orleans entered into purchase power agreements with RS Cogen that expired in April 2006, and purchased a total of \$15.8 million and \$61.2 million of capacity and energy from RS Cogen in 2006 and 2005, respectively. Entergy Gulf States Louisiana purchased approximately \$68.4 million, \$64.3 million, and \$12.4 million, of electricity generated from Entergy's share of RS Cogen in 2007, 2006, and 2005, respectively. Entergy's operating transactions with its other equity method investees were not significant in 2007, 2006, or 2005.

In the purchase agreements for its energy trading and the pipeline business sales, Entergy-Koch agreed to indemnify the respective purchasers for certain potential losses relating to any breaches of the seller's representations, warranties, and obligations under each of the purchase agreements. Entergy Corporation has guaranteed up to 50% of Entergy-Koch's indemnification obligations to the purchasers. Entergy does not expect any material claims under these indemnification obligations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTE 18. ACQUISITIONS AND DISPOSITIONS

PALISADES

In April 2007, Entergy's Non-Utility Nuclear business purchased the 798 MW Palisades nuclear energy plant located near South Haven, Michigan from Consumers Energy Company for a net cash payment of \$336 million. Entergy received the plant, nuclear fuel, inventories, and other assets. The liability to decommission the plant, as well as related decommissioning trust funds, was also transferred to Entergy's Non-Utility Nuclear business. Entergy's Non-Utility Nuclear business executed a unit-contingent, 15-year purchased power agreement (PPA) with Consumers Energy for 100% of the plant's output, excluding any future uprates. Prices under the PPA range from \$43.50/MWh in 2007 to \$61.50/MWh in 2022, and the average price under the PPA is \$51/MWh. In the first quarter 2007, the NRC renewed Palisades' operating license until 2031. As part of the transaction, Entergy's Non-Utility Nuclear business assumed responsibility for spent fuel at the decommissioned Big Rock Point nuclear plant, which is located near Charlevoix, Michigan. Palisades' financial results since April 2007 are included in Entergy's Non-Utility Nuclear business segment. The following table summarizes the assets acquired and liabilities assumed at the date of acquisition (in millions):

| | |
|--|--------|
| Plant (including nuclear fuel) | \$ 727 |
| Decommissioning trust funds | 252 |
| Other assets | 41 |
| Total assets acquired | 1,020 |
| Purchased power agreement (below market) | 420 |
| Decommissioning liability | 220 |
| Other liabilities | 44 |
| Total liabilities assumed | 684 |
| Net assets acquired | \$ 336 |

Subsequent to the closing, Entergy received approximately \$6 million from Consumers Energy Company as part of the Post-Closing Adjustment defined in the Asset Sale Agreement. The Post-Closing Adjustment amount resulted in an approximately \$6 million reduction in plant and a corresponding reduction in other liabilities.

For the PPA, which was at below-market prices at the time of the acquisition, Non-Utility Nuclear will amortize a liability to revenue over the life of the agreement. The amount that will be amortized each period is based upon the difference between the present value calculated at the date of acquisition of each year's difference between revenue under the agreement and revenue based on estimated market prices. In 2007, \$50 million was amortized to revenue. The amounts to be amortized to revenue for the next five years will be \$76 million for 2008, \$53 million for 2009, \$46 million for 2010, \$43 million for 2011, and \$17 million in 2012.

Attala

In January 2006, Entergy Mississippi purchased the Attala power plant, a 480 MW natural gas-fired, combined-cycle generating facility in central Mississippi, for \$88 million from Central Mississippi Generating Company. Entergy Mississippi received the plant, materials and supplies, SO₂ emission allowances, and related real estate. The MPSC approved the acquisition and the investment cost recovery of the plant.

Perryville

In June 2005, Entergy Louisiana purchased the 718 MW Perryville power plant located in northeast Louisiana for \$162 million from a subsidiary of Cleco Corporation. Entergy Louisiana received the plant, materials and supplies, SO₂ emission allowances, and related real estate. The LPSC approved the acquisition and the long-term cost-of-service purchased power agreement under which Entergy Gulf States Louisiana will purchase 75 percent of the plant's output.

ASSET DISPOSITIONS

Entergy-Koch Businesses

In the fourth quarter 2004, Entergy-Koch sold its energy trading and pipeline businesses to third parties. The sales came after a review of strategic alternatives for enhancing the value of Entergy-Koch, L.P. Entergy received \$862 million of cash distributions in 2004 from Entergy-Koch after the business sales. Due to the November 2006 expiration of contingencies on the sale of Entergy-Koch's trading business, and the corresponding release to Entergy-Koch of sales proceeds held in escrow, Entergy recorded a gain related to its Entergy-Koch investment of approximately \$55 million, net-of-tax, in the fourth quarter 2006 and received additional cash distributions of approximately \$163 million. Entergy expects future cash distributions upon liquidation of the partnership will be less than \$35 million.

Other

In the second quarter 2006, Entergy sold its remaining interest in a power development project and realized a \$14.1 million (\$8.6 million net-of-tax) gain on the sale.

In April 2006, Entergy sold the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas, realized an \$11.1 million gain (net-of-tax) on the sale, and now reports this portion of the business as a discontinued operation.

NOTE 18. RISK MANAGEMENT AND FAIR VALUES

MARKET AND COMMODITY RISKS

In the normal course of business, Entergy is exposed to a number of market and commodity risks. Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk. Entergy is subject to a number of commodity and market risks, including:

| Type of Risk | Affected Businesses |
|---|--|
| Power price risk | Utility, Non-Utility Nuclear, Non-Nuclear Wholesale Assets |
| Fuel price risk | Utility, Non-Utility Nuclear, Non-Nuclear Wholesale Assets |
| Foreign currency exchange rate risk | Utility, Non-Utility Nuclear, Non-Nuclear Wholesale Assets |
| Equity price and interest rate risk - investments | Utility, Non-Utility Nuclear |

Entergy manages these risks through both contractual arrangements and derivatives. Contractual risk management tools include long-term power purchase and sales agreements and fuel purchase agreements, capacity contracts, and tolling agreements. Commodity and financial derivative risk management tools can include natural gas and electricity futures, forwards, swaps, and options; foreign currency forwards; and interest rate swaps. Entergy enters into derivatives only to manage natural risks inherent in its physical or financial assets or liabilities.

Entergy manages fuel price risk for its Louisiana jurisdictions (Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy New Orleans) and Entergy Mississippi primarily through the purchase of short-term swaps. These swaps are marked-to-market with offsetting regulatory assets or liabilities. The notional volumes of these swaps are based on a portion of projected annual purchases of gas for electric generation and projected winter purchases for gas distribution at Entergy Gulf States Louisiana and Entergy New Orleans.

Entergy's exposure to market risk is determined by a number of factors, including the size, term, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affects the level of market risk. A significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

Hedging Derivatives

Entergy classifies substantially all of the following types of derivative instruments held by its consolidated businesses as cash flow hedges:

| Instrument | Business |
|--|---|
| Natural gas and electricity futures, forwards, and options | Non-Utility Nuclear, Non-Nuclear Wholesale Assets |
| Foreign currency forwards | Utility, Non-Utility Nuclear |

Cash flow hedges with net unrealized gains of approximately \$5.4 million (net-of-tax) at December 31, 2007 are scheduled to mature during 2008. Net losses totaling approximately \$63 million were realized during 2007 on the maturity of cash flow hedges. Unrealized gains or losses result from hedging power output at the Non-Utility Nuclear power stations and foreign currency hedges related to Euro-denominated nuclear fuel acquisitions. The related gains or losses from hedging power are included in revenues when realized. The realized gains or losses from foreign currency transactions are included in the cost of capitalized fuel. The maximum length of time over which Entergy is currently hedging the variability in future cash flows for forecasted transactions at December 31, 2007 is approximately five years. The ineffective portion of the change in the value of Entergy's cash flow hedges during 2007, 2006, and 2005 was insignificant.

Fair Values

Financial Instruments

The estimated fair value of Entergy's financial instruments is determined using forward mid curves. These independent market curves are periodically compared to NYMEX Clearport prices where available and have been found to be materially identical. Additional adjustments for unit contingent discounts and/or price differentials between liquid market locations and plant bushars are internally determined and applied depending on settlement terms of the financial instrument. In determining these adjustments, Entergy uses a process that estimates the forward values based on recent observed history. Due largely to the potential for market or product illiquidity, forward estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. In addition, gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not necessarily accrue to the benefit or detriment of stockholders.

Entergy considers the carrying amounts of most of its financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. Additional information regarding financial instruments and their fair values is included in Notes 5 and 6 to the financial statements.

NOTE 17. DECOMMISSIONING TRUST FUNDS

Entergy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The NRC requires Entergy to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1 and 2, Vermont Yankee, and Palisades (NYPA currently retains the decommissioning trusts and liabilities for Indian Point 3 and FitzPatrick). The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents. The securities held at December 31, 2007 and 2006 are summarized as follows (in millions):

| | Fair Value | Total Unrealized Gains | Total Unrealized Losses |
|-------------------|----------------|------------------------|-------------------------|
| 2007 | | | |
| Equity Securities | \$1,928 | \$466 | \$ 9 |
| Debt Securities | 1,380 | 40 | 3 |
| Total | \$3,308 | \$506 | \$12 |
| 2006 | | | |
| Equity Securities | \$1,706 | \$418 | \$ 2 |
| Debt Securities | 1,153 | 17 | 11 |
| Total | \$2,859 | \$435 | \$13 |

The debt securities have an average coupon rate of approximately 5.2%, an average duration of approximately 5.5 years, and an average maturity of approximately 8.9 years. The equity securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard & Poor's 500 Index, and a relatively small percentage of the securities are held in a fund intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at December 31, 2007 (in millions):

| | Equity Securities | | Debt Securities | |
|---------------------|-------------------|-------------------------|-----------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Less than 12 months | \$170 | \$9 | \$124 | \$2 |
| More than 12 months | - | - | 35 | 1 |
| Total | \$170 | \$9 | \$159 | \$3 |

The unrealized losses in excess of twelve months above relate to Entergy's Utility operating companies and System Energy.

The fair value of debt securities, summarized by contractual maturities, at December 31, 2007 and 2006 are as follows (in millions):

| | 2007 | 2006 |
|---------------------|----------------|----------------|
| less than 1 year | \$ 83 | \$ 82 |
| 1 year - 5 years | 388 | 309 |
| 5 years - 10 years | 535 | 472 |
| 10 years - 15 years | 127 | 106 |
| 15 years - 20 years | 81 | 72 |
| 20 years+ | 166 | 112 |
| Total | \$1,380 | \$1,153 |

During the years ended December 31, 2007, 2006, and 2005, proceeds from the dispositions of securities amounted to \$1,583 million, \$778 million, and \$944 million, respectively. During the years ended December 31, 2007, 2006, and 2005, gross gains of \$5 million in each year and gross losses of \$4 million, \$10 million, and \$8 million, respectively, were reclassified out of other comprehensive income into earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OTHER THAN TEMPORARY IMPAIRMENTS AND UNREALIZED GAINS AND LOSSES

Entergy, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy evaluate these unrealized losses at the end of each period to determine whether an other than temporary impairment has occurred. The assessment of whether an investment has suffered an other than temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Entergy did not record any significant impairments in 2007 or 2006 on these assets.

Due to the regulatory treatment of decommissioning collections and trust fund earnings, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy record regulatory assets or liabilities for unrealized gains and losses on trust investments. For the unregulated portion of River Bend, Entergy Gulf States Louisiana has recorded an offsetting amount of unrealized gains or losses in other deferred credits due to existing contractual commitments with the former owner.

NOTE 18. ENTERGY NEW ORLEANS BANKRUPTCY PROCEEDING

As a result of the effects of Hurricane Katrina and the effect of extensive flooding that resulted from levee breaks in and around the New Orleans area, on September 23, 2005, Entergy New Orleans filed a voluntary petition in bankruptcy court seeking reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. On May 7, 2007, the bankruptcy judge entered an order confirming Entergy New Orleans' plan of reorganization. With the receipt of CDBG funds, and the agreement on insurance recovery with one of its excess insurers, Entergy New Orleans waived the conditions precedent in its plan of reorganization, and the plan became effective on May 8, 2007. Following are significant terms in Entergy New Orleans' plan of reorganization:

- Entergy New Orleans paid in full, in cash, the allowed third-party prepetition accounts payable (approximately \$29 million, including interest). Entergy New Orleans paid interest from September 23, 2005 at the Louisiana judicial rate of interest for 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% for 2007 through the date of payment. The Louisiana judicial rate of interest for 2007 is 9.5%.
- Entergy New Orleans issued notes due in three years in satisfaction of its affiliate prepetition accounts payable (approximately \$74 million, including interest), including its indebtedness to the Entergy System money pool. Entergy New Orleans included in the principal amount of the notes accrued interest from September 23, 2005 at the Louisiana judicial rate of interest for 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% for 2007 through the date of issuance of the notes. Entergy New Orleans will pay interest on the notes from their date of issuance at the Louisiana judicial rate of interest plus 1%. The Louisiana judicial rate of interest is 9.5% for 2007 and 8.5% for 2008.
- Entergy New Orleans repaid in full, in cash, the outstanding borrowings under the debtor-in-possession credit agreement between Entergy New Orleans and Entergy Corporation (approximately \$67 million).
- Entergy New Orleans' first mortgage bonds will remain outstanding with their current maturity dates and interest terms. Pursuant to

an agreement with its first mortgage bondholders, Entergy New Orleans paid the first mortgage bondholders an amount equal to the one year of interest from the bankruptcy petition date that the bondholders had waived previously in the bankruptcy proceeding (approximately \$12 million).

- Entergy New Orleans' preferred stock will remain outstanding on its current dividend terms, and Entergy New Orleans paid its unpaid preferred dividends in arrears (approximately \$1 million).
- Litigation claims will generally be unaltered, and will generally proceed as if Entergy New Orleans had not filed for bankruptcy protection, with exceptions for certain claims.

With confirmation of the plan of reorganization, Entergy reconsolidated Entergy New Orleans in the second quarter 2007, retroactive to January 1, 2007. Because Entergy owns all of the common stock of Entergy New Orleans, reconsolidation does not affect the amount of net income that Entergy records from Entergy New Orleans' operations for any current or prior periods, but does result in Entergy New Orleans' results being included in each individual income statement line item in 2007, rather than just its net income being presented as "Equity in earnings of unconsolidated equity affiliates," as will remain the case for 2005 and 2006.

Entergy's income statement for 2006 and 2005 includes \$220 million and \$207 million, respectively, in operating revenues and \$46 million and \$117 million, respectively, in purchased power expenses from transactions between Entergy New Orleans and Entergy's subsidiaries. Entergy's balance sheet as of December 31, 2006 includes \$95 million of accounts receivable that are payable to Entergy or its subsidiaries by Entergy New Orleans, including \$69.5 million of prepetition accounts. Because Entergy owns all of the common stock of Entergy New Orleans, however, the deconsolidation of Entergy New Orleans in 2005 and 2006 did not affect the amount of net income Entergy records resulting from Entergy New Orleans' operations.

NOTE 19. QUARTERLY FINANCIAL DATA (UNAUDITED)

Operating results for the four quarters of 2007 and 2006 for Entergy Corporation and subsidiaries were (in thousands):

| | Operating Revenues | Operating Income | Net Income |
|----------------|-----------------------|---------------------|---------------|
| 2007: | | | |
| First Quarter | \$2,600,230 | \$431,020 | \$212,195 |
| Second Quarter | \$2,769,352 | \$478,040 | \$267,602 |
| Third Quarter | \$3,289,087 | \$810,332 | \$461,159 |
| Fourth Quarter | \$2,825,729 | \$336,976 | \$193,893 |
| 2006: | | | |
| First Quarter | \$2,568,031 | \$394,763 | \$193,628 |
| Second Quarter | \$2,628,502 | \$487,293 | \$281,802 |
| Third Quarter | \$3,254,719 | \$644,408 | \$388,883 |
| Fourth Quarter | \$2,480,906 | \$278,896 | \$268,289 |

EARNINGS PER AVERAGE COMMON SHARE

| | 2007 | | 2006 | |
|----------------|--------|---------|--------|---------|
| | Basic | Diluted | Basic | Diluted |
| First Quarter | \$1.06 | \$1.03 | \$0.93 | \$0.92 |
| Second Quarter | \$1.36 | \$1.32 | \$1.35 | \$1.33 |
| Third Quarter | \$2.37 | \$2.30 | \$1.87 | \$1.83 |
| Fourth Quarter | \$1.00 | \$0.96 | \$1.30 | \$1.27 |

The business of the Utility operating companies is subject to seasonal fluctuations with the peak periods occurring during the third quarter.

INVESTOR INFORMATION

ANNUAL MEETING

The 2008 Annual Meeting of Shareholders will be held on Friday, May 2, at the New Orleans Marriott at the Convention Center, 859 Convention Center Boulevard, New Orleans, LA. The meeting will begin at 10 a.m. (CDT).

SHAREHOLDER NEWS

Entergy's quarterly earnings results, dividend action, and other news and information of investor interest may be obtained by calling Entergy Shareholder Direct at 1-888-ENTERGY (368-3749). Besides hearing recorded announcements, you can request information to be sent via fax or mail.

Visit our investor relations Web site at entergy.com/investor_relations for earnings reports, financial releases, SEC filings and other investor information, including Entergy's Corporate Governance Guidelines, Board Committee Charters for the Corporate Governance, Audit and Personnel Committees and Entergy's Code of Conduct. You can also request and receive information via email. Printed copies of the above are also available without charge by calling 1-888-ENTERGY or writing to:

Entergy Corporation
Investor Relations
P.O. Box 61000
New Orleans, LA 70161

INSTITUTIONAL INVESTOR INQUIRIES

Securities analysts and representatives of financial institutions may contact Michele Lopiccio, Vice President, Investor Relations at 504-576-4879 or mlopicc@entergy.com.

SHAREHOLDER ACCOUNT INFORMATION

Mellon Investor Services LLC is Entergy's transfer agent, registrar, dividend disbursing agent, and dividend reinvestment and stock purchase plan agent. Shareholders of record with questions about lost certificates, lost or missing dividend checks or notifications of change of address should contact:

Mellon Investor Services
480 Washington Boulevard
Jersey City, NJ 07310
Telephone: 1-800-333-4368
Internet address: www.bnymellon.com/shareowner/isd

COMMON STOCK INFORMATION

The company's common stock is listed on the New York and Chicago exchanges under the symbol "ETR." The Entergy share price is reported daily in the financial press under "Entergy" in most listings of New York Stock Exchange securities. Entergy common stock is a component of the following indices: S&P 500, S&P Utilities Index, Philadelphia Utility Index and the NYSE Composite Index, among others.

CERTIFICATIONS

In May 2007, Entergy's Chief Executive Officer certified to the New York Stock Exchange that he was not aware of any violation of the NYSE corporate governance listing standards. Also, Entergy filed certifications regarding the quality of the company's public disclosure, required by Section 302 of the Sarbanes-Oxley Act of 2002, as exhibits to its Report on Form 10-K for the fiscal year ended December 31, 2007.

At year-end 2007 there were 193,120,240 shares of Entergy common stock outstanding. Shareholders of record totaled 44,568, and approximately 84,000 investors held Entergy stock in "street name" through a broker.

DIVIDEND PAYMENTS

The entire amount of dividends paid during 2007 is taxable as ordinary income. The Board of Directors declares dividends quarterly and sets the record and payment dates. Subject to Board discretion, those dates for 2008 are:

| DECLARATION DATE | RECORD DATE | PAYMENT DATE |
|------------------|-------------|--------------|
| January 25 | February 8 | March 3 |
| April 7 | May 9 | June 2 |
| July 25 | August 8 | September 2 |
| October 31 | November 12 | December 1 |

Quarterly dividend payments (in cents-per-share):

| QUARTER | 2008 | 2007 | 2006 | 2005 | 2004 |
|---------|------|------|------|------|------|
| 1 | 75 | 54 | 54 | 54 | 45 |
| 2 | | 54 | 54 | 54 | 45 |
| 3 | | 75 | 54 | 54 | 45 |
| 4 | | 75 | 54 | 54 | 54 |

DIVIDEND REINVESTMENT/STOCK PURCHASE

Entergy offers an automatic Dividend Reinvestment and Stock Purchase Plan administered by Mellon Investor Services. The plan is designed to provide Entergy shareholders and other investors with a convenient and economical method to purchase shares of the company's common stock. The plan also accommodates payments of up to \$3,000 per month for the purchase of Entergy common shares. First-time investors may make an initial minimum purchase of \$1,000. Contact Mellon by telephone or internet for information and an enrollment form.

DIRECT REGISTRATION SYSTEM

Entergy has elected to participate in a Direct Registration System that provides investors with an alternative method for holding shares. DRS will permit investors to move shares between the company's records and the broker dealer of their choice.

ENTERGY COMMON STOCK PRICES

The high and low trading prices for each quarterly period in 2007 and 2006 were as follows (in dollars):

| QUARTER | 2007 | | 2006 | |
|---------|--------|--------|-------|-------|
| | HIGH | LOW | HIGH | LOW |
| 1 | 106.13 | 89.60 | 72.97 | 67.97 |
| 2 | 120.47 | 104.00 | 72.97 | 66.78 |
| 3 | 111.95 | 91.94 | 80.00 | 70.80 |
| 4 | 125.00 | 108.21 | 94.03 | 78.38 |

ENVIRONMENTAL INFORMATION

Entergy's Sustainability Report and other information on Entergy's environmental policy is available on Entergy's Web site at entergy.com.

DIRECTORS AND OFFICERS

DIRECTORS

Maureen Scannell Bateman

General Counsel of Manhattanville College, New York.
An Entergy director since 2000. Age, 64

W. Frank Blount

Chairman and Chief Executive Officer, JI Ventures, Inc.,
Atlanta, Georgia. An Entergy director since 1987. Age, 69

Simon D. deBree

Retired Director and Chief Executive Officer of Royal DSM N.V.,
The Netherlands. An Entergy director since 2001. Age, 70

Gary W. Edwards

Former Senior Executive Vice President of Conoco, Houston, Texas.
An Entergy director since 2005. Age, 66

Alexis M. Herman

Chair and Chief Executive Officer of New Ventures, Inc., McLean,
Virginia. An Entergy director since 2003. Age, 60

Donald C. Hintz

Former President, Entergy Corporation, Punta Gorda, Florida.
An Entergy director since 2004. Age, 64

J. Wayne Leonard

Entergy Chairman and Chief Executive Officer. Joined Entergy
in April 1998 as President and Chief Operating Officer; became
Chief Executive Officer and elected to the Board of Directors on
January 1, 1999; became Chairman on August 1, 2006. New Orleans,
Louisiana. Age, 57

Stuart L. Levenick

Group President and Executive Office Member of Caterpillar, Inc.,
Peoria, Illinois. An Entergy director since 2005. Age, 54

James R. Nichols

Partner, Nichols & Pratt, LLP, Attorney and Chartered Financial Analyst,
Boston, Massachusetts. An Entergy director since 1986. Age, 69

William A. Percy, II

Chairman and Chief Executive Officer of Greenville Compress
Company, Greenville, Mississippi. An Entergy director since 2000.
Age, 68

W. J. "Billy" Tauzin

President and Chief Executive Officer, Pharmaceutical Research and
Manufacturers of America, Washington, D.C. An Entergy director
since 2005. Age, 64

Steven V. Wilkinson

Retired Audit Partner, Arthur Andersen LLP, Watersmeet, Michigan.
An Entergy director since 2003. Age, 66

OFFICERS

J. Wayne Leonard

Chairman and Chief Executive Officer. Joined Entergy in 1998 as
President and Chief Operating Officer; became Chief Executive
Officer on January 1, 1999 and Chairman on August 1, 2006.
Former executive of Cinergy. Age, 57

Richard J. Smith

President and Chief Operating Officer. Joined Entergy in 2000.
Former President of Cinergy Resources, Inc. Age, 56

Gary J. Taylor

Group President, Utility Operations. Joined Entergy in 2000. Former
Vice President of nuclear operations at South Carolina Electric &
Gas Company. Age, 54

Leo P. Denault

Executive Vice President and Chief Financial Officer. Joined Entergy
in 1999. Former Vice President of Cinergy. Age, 48

Curtis L. Hébert, Jr.

Executive Vice President, External Affairs. Joined Entergy in 2001.
Former Chairman of the Federal Energy Regulatory Commission.
Age, 45

Michael R. Kansler

Executive Vice President and Chief Nuclear Officer. Joined Entergy
in 1998. Former Vice President of Virginia Power's nuclear program.
Age, 53

Mark T. Savoff

Executive Vice President, Operations. Joined Entergy in 2003. Former
President, General Electric Power Systems - GE Nuclear Energy.
Age, 51

Robert D. Sloan

Executive Vice President, General Counsel and Secretary. Joined
Entergy in 2003. Former Vice President and General Counsel at GE
Industrial Systems. Age, 60

Theodore H. Bunting, Jr.

Senior Vice President and Chief Accounting Officer. Joined Entergy
in 1983 and developed knowledge and skills in utility accounting, rate
making, finance, tax, and systems development before being promoted
to Senior Vice President and Chief Accounting Officer in 2007. Age, 49

Terry R. Seamons

Senior Vice President, Human Resources and Administration. Joined
Entergy in 2007. Former Vice President and Managing Director of
RHR, International. Age, 66

Joseph T. Henderson

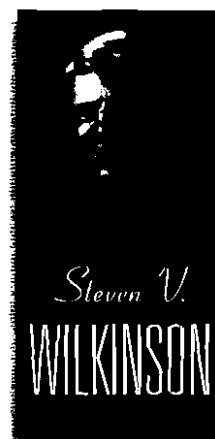
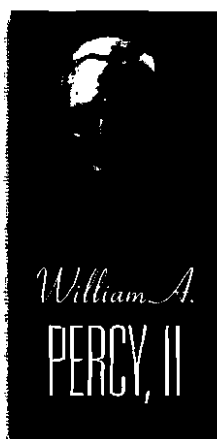
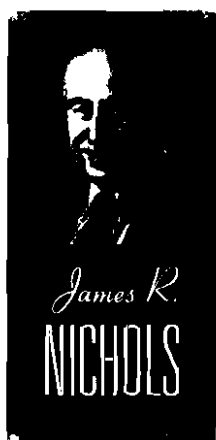
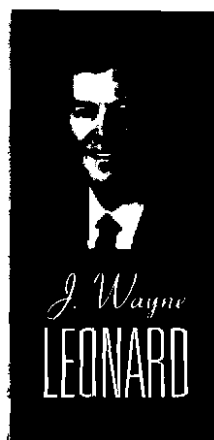
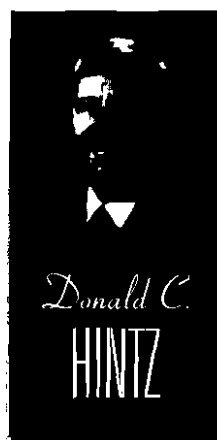
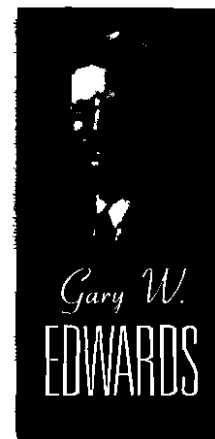
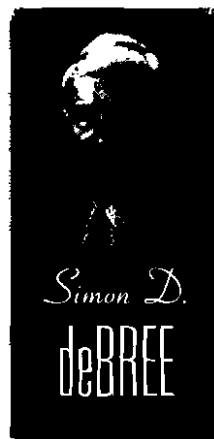
Senior Vice President and General Tax Counsel. Joined Entergy in
1999. Former Associate General Tax Counsel for Shell Oil. Age, 50

Steven C. McNeal

Vice President and Treasurer. Joined Entergy in 1982 as a financial
analyst and was given increased responsibility in areas of finance,
treasury, and risk management before being promoted to Vice
President and Treasurer in 1998. Age, 51



DIRECTORS





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Environmental BENEFITS STATEMENT

This Entergy Corporation 2007 Annual Report is printed on Neenah Environment Papers – PC 100, made of 100 percent post-consumer waste material. It is Forest Stewardship Council™ certified, processed chlorine free, alkaline pH, and meets the American National Standards Institute standards for longevity.

By using Neenah Environment PC 100, Entergy Corporation saved the following resources:

| | |
|------------------|-------------------|
| TREES | 2,586 Fully Grown |
| WATER | 942,834 Gallons |
| ENERGY | 1,800 Btu's BTU |
| SOLID WASTE | 121,073 Pounds |
| GREENHOUSE GASES | 227,146 Pounds |

Environmental impact estimates were made using the Environmental Defense Paper Calculator. For more information visit <http://www.papercalculator.org>

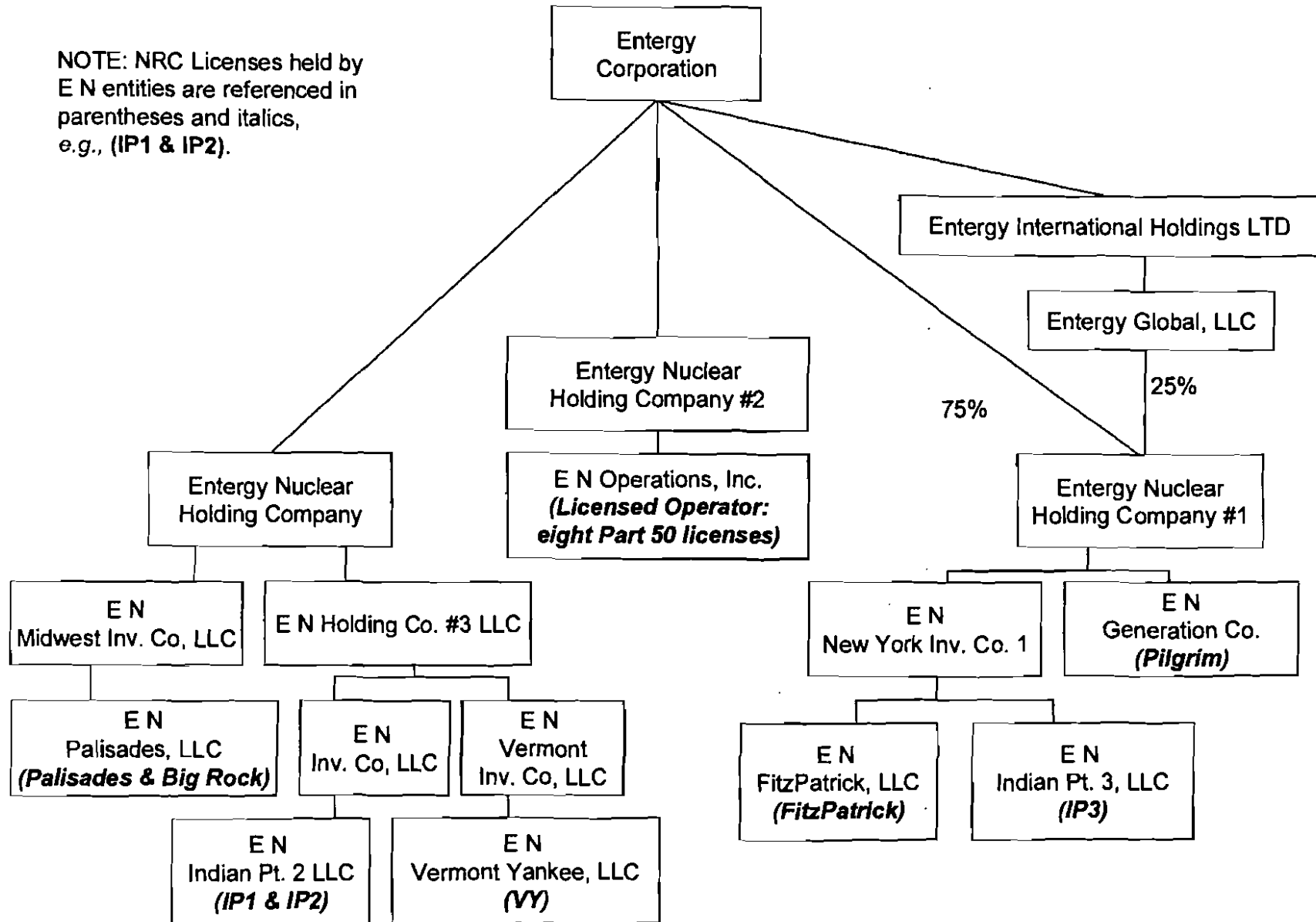


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APPENDIX F

Figure 1: SIMPLIFIED ORGANIZATION CHART – CURRENT

NOTE: NRC Licenses held by E N entities are referenced in parentheses and italics, e.g., (IP1 & IP2).





03/24/08

Figure 4: SIMPLIFIED ORGANIZATION CHART – POST REORGANIZATION

